

PEOPLE  
Charles Glass  
The American...  
throughout the world...  
very good school...  
No. 32,520 38/87

The Global Newspaper  
Edited and Published  
in Paris  
Printed simultaneously  
in Paris, London, Zurich,  
Hong Kong, Singapore,  
Tokyo, Manila, Mexico,  
Miami, Rome.

# Herald Tribune

Published With The New York Times and The Washington Post

Algeria	6.00	Den.	115	Rock	Cher.	3.000	Ros.
Austria	2.70	Sw.	1.800	Sw.	1.800	Sw.	1.800
Belgium	50.00	Bel.	1.800	Sw.	1.800	Sw.	1.800
Canada	2.00	Can.	1.800	Sw.	1.800	Sw.	1.800
Czechoslovakia	1.00	Cze.	1.800	Sw.	1.800	Sw.	1.800
France	2.70	Fr.	1.800	Sw.	1.800	Sw.	1.800
Germany	2.70	Ger.	1.800	Sw.	1.800	Sw.	1.800
Greece	2.70	Grc.	1.800	Sw.	1.800	Sw.	1.800
Italy	2.70	It.	1.800	Sw.	1.800	Sw.	1.800
Japan	2.70	Jpn.	1.800	Sw.	1.800	Sw.	1.800
South Korea	2.70	S.K.	1.800	Sw.	1.800	Sw.	1.800
Spain	2.70	Sp.	1.800	Sw.	1.800	Sw.	1.800
Sweden	2.70	Swe.	1.800	Sw.	1.800	Sw.	1.800
Switzerland	2.70	Swi.	1.800	Sw.	1.800	Sw.	1.800
Taiwan	2.70	Tai.	1.800	Sw.	1.800	Sw.	1.800
Thailand	2.70	Th.	1.800	Sw.	1.800	Sw.	1.800
United Kingdom	2.70	U.K.	1.800	Sw.	1.800	Sw.	1.800
United States	2.70	U.S.	1.800	Sw.	1.800	Sw.	1.800
West Germany	2.70	W.G.	1.800	Sw.	1.800	Sw.	1.800
Yugoslavia	2.70	Yug.	1.800	Sw.	1.800	Sw.	1.800

## Reagan Rejects Pentagon View On European Arms Accord

By R. Jeffrey Smith  
Washington Post Service  
WASHINGTON — Despite an impressionable private appeal from Defense Secretary Caspar W. Weinberger, President Ronald Reagan has rejected the Pentagon position on U.S.-Soviet arms control negotiations, an action signaling his desire to move swiftly to reach an agreement with Moscow, according to senior U.S. officials.  
Mr. Reagan made a series of last-minute decisions Thursday in preparation for a visit to Washington by Soviet foreign minister, Eduard A. Shevardnadze. The decisions are aimed at resolving the few remaining disputes concerning a treaty that would eliminate medium- and shorter-range missiles in Europe, the officials said Saturday.

## Shevardnadze Arrives In U.S. for Talks on Pact

By Don Oberdorfer  
Washington Post Service  
WASHINGTON — The Soviet foreign minister, Eduard A. Shevardnadze, arrived Sunday to discuss final details of an arms accord with Secretary of State George P. Shultz, who expressed optimism that a much-discussed outstanding issue can be resolved.  
Mr. Shevardnadze and his party arrived at Andrews Air Force Base outside Washington.  
Mr. Shultz, appearing on a CBS television program several hours before Mr. Shevardnadze's arrival, said there was "not much of a difference" between the two sides' formal negotiating positions on what to do with medium- and shorter-range missiles once they are eliminated from Europe and elsewhere under the proposed pact.  
Soviet statements in recent days have demanded destruction of the missile warheads. But the United States maintains that the future of the nuclear explosive devices, commonly called warheads, should be up to each side.  
Mr. Shultz said there was a difference between the Soviet position on this point in the Geneva negotiations and recent public statements. He expressed confidence that the issue can be resolved "unless they're throwing out something brand-new, which they don't seem to."

## Territory Votes for France

But Critics See  
Little Settled in  
New Caledonia

By Edward Cody  
Washington Post Service  
PARIS — New Caledonia voted overwhelmingly on Sunday to remain a French territory. But critics said the vote in the Pacific island territory settled little and could lead to more ethnic violence.  
French officials said 58.9 percent of the 84,000 registered voters cast ballots in the referendum. The voters were guarded by an 8,000-man security force, including a detachment of paratroopers.  
The turnout, which was about 8 percent higher than for elections in 1984 and 1985, constituted repudiation of an abstention campaign waged by Melanesian separatist leaders, government officials said.  
The voting was 98.3 percent in favor of maintaining the status of French overseas territory, officials announced. The result was a foregone conclusion because opponents among the indigenous Melanesians, called Kanaks, had urged a boycott, meaning there were few negative votes and making the turnout the real issue.  
The future of the territory has been a troublesome political issue in France since an insurrection in 1984 by the indigenous Melanesians, who have become a minority among thousands of European and other settlers.  
President Francois Mitterrand of France has expressed deep disagreement with Prime Minister Jacques Chirac's handling of the dispute, straining an uneasy working arrangement between the Socialist president and Mr. Chirac's Gaullist government.  
In addition, Mr. Chirac's policy in New Caledonia has displeased New Zealand, Australia and other Pacific neighbors that see French rule as a colonial vestige out of step with the times.  
Mr. Chirac, who returned to Paris on Sunday after visiting French



UN Official Meets With Iranian President  
Javier Perez de Cuellar, the UN secretary-general, met with President Ali Khamenei of Iran on Sunday before flying to Iraq on his mission to persuade both sides to accept a United Nations Security Council resolution on a cease-fire in the Gulf war. Mr. Khamenei told him that Iran will not accept a settlement unless Iraq is condemned and punished as the aggressor. Page 5.

## Election Setback For Kohl

Party's Losses in  
2 States Follow  
Reversals in May

By Robert J. McCartney  
Washington Post Service  
BONN — Chancellor Helmut Kohl's Christian Democratic Union suffered sharp losses in two state elections Sunday, marking the conservative party's second electoral setback in four months.  
The Free Democrats, Mr. Kohl's moderate, junior coalition partner in Bonn, extended their recent string of successes with significant gains in the northern states of Schleswig-Holstein and Bremen.  
Local issues played an important role in both elections, and the dominant parties held on to their positions in both states.  
But the size of the Christian Democratic losses — nearly 10 percentage points in Bremen and six in Schleswig-Holstein, according to computer projections — were viewed as a fresh sign of voters' doubts over Mr. Kohl's leadership.  
The Christian Democrats also lost ground in two state elections May 17, in Rhineland-Palatinate and Hamburg, partly because of the perception that the party was blocking a U.S.-Soviet disarmament agreement.  
Since then, Mr. Kohl has dropped his objections to the pact and has agreed to scrap 72 West German Pershing-IA missiles whose presence was standing in the way of an accord.  
But diplomatic obstacles, while noting that several factors influenced Sunday's results, said that Mr. Kohl's shift on the arms treaty had apparently come too late to do him much good.  
Mr. Kohl said this evening that the results were a "bitter defeat."  
The results also represented another electoral endorsement of the detente-oriented policies of Foreign Minister Hans-Dietrich Genscher, a Free Democrat, political and diplomatic observers said.  
The Free Democrats surpassed the 5 percent minimum total required to obtain seats in both state legislatures.  
The Christian Democrats will need the Free Democrats' support for the first time in 16 years to form a government in Schleswig-Holstein, a farming and shipping state that borders Denmark.  
In five state elections this year, the Free Democrats have wrested a place for themselves in four states' ruling coalitions.  
"Schleswig-Holstein has confirmed that what we are doing in Bonn is right," said the party's chairman, Martin Bangemann.  
Mr. Kohl said that farmers' discontent over agricultural problems See GERMAN, Page 5

## Finance Ministers Strengthen Policy On European Currency Intervention

Reverses  
NYBORG, Denmark — European Community finance ministers, in a decision with important implications for currency markets, have agreed to increase cooperation to limit turbulence in European foreign exchange rates.  
The package of measures, approved Saturday, will result in technical changes to the eight-year-old currency float of the European Monetary System, which holds eight currencies in narrow trading ranges.  
The key element of the new agreement stipulates that central banks with weak currencies will be able to borrow from those with strong currencies to defend their currencies against speculation before such intervention becomes obligatory under EMS rules.  
Denmark's finance minister, Palle Simonsen said the accord represented a "milestone for cooperation in the monetary field" within the 12-nation bloc.  
As a result of this agreement to more effectively mobilize central bank resources, foreign exchange speculators could find it tougher to bet against the weaker EMS currencies.  
This change, first approved by EC central bankers last week, is the major component in the wider package approved Saturday to strengthen the EMS through greater economic and monetary coordination, and so reduce a need for occasional changes in the system's semifixed parities.  
"We agreed to discourage speculation from the beginning," said the French finance minister, Edouard Balladur, after the meeting on Saturday in this Danish seaside resort.  
Although the accord is non-binding "gentlemen's agreements," participants said the changes were a major step toward eliminating the type of acrimony that marked the last EMS currency realignment in January. In the period preceding the realignment, France and West Germany publicly aired their disagreements over the strength of the Deutsche mark.  
EMS currencies are allowed to fluctuate against each other by 2.25 percent from agreed central rates, except for the Italian lira, whose range is 6 percent.  
In practice, however, central banks with weak currencies have usually stepped in before these limits were reached.  
But their resources have so far See EMS, Page 15

## Kiosk Moscow Allows Goldfarb Visit

NEW YORK (Reuters) — Soviet authorities have told the daughter of David Goldfarb, a Soviet dissident, that she can leave Moscow to visit her sick father in New York, her brother said Sunday.  
"My sister, Olga, called this morning from Moscow," Alex Goldfarb said. "She said she has received notification that she will be granted a visa to visit New York." His father, 68, had surgery for lung cancer shortly after being allowed to emigrate to the West last October. He suffered a mild stroke two months ago.



Martina Navratilova beat Steffi Graf for the U.S. Open women's championship. The Lendl-Wilander match for the men's title was postponed until Monday because of rain. Page 17.

## Robertson Beats Bush in Iowa Straw Poll

By E.J. Dionne Jr.  
New York Times Service  
AMES, Iowa — What was billed as the first real face-off among Republican presidential candidates has turned into a triumph for the Reverend Pat Robertson, who brought hundreds of supporters to a sports arena here and defeated all the Republican presidential contenders in a straw poll.  
The poll Saturday night, organized by the Iowa Republican Party, was a stunning defeat for Vice President George Bush, who finished behind Mr. Robertson and Bob Dole of Kansas, the Senate minority leader.  
Aides to Mr. Bush discounted the significance of the outcome, noting that Ronald Reagan did poorly in an Iowa straw poll and the Iowa caucuses eight years ago.  
The straw poll is a popularity contest. It has no direct effect on winning delegates for caucuses. But it is seen as a test of a candidate's organizational abilities for the Iowa caucuses, which are held early next year.  
Among the 3,843 Iowans polled, Mr. Robertson won 1,293 votes; Mr. Dole, 958; Mr. Bush, 864; Representative Jack P. Kemp of New York, 520; former Governor Pierre S. du Pont 4th of Delaware, 160; and former Secretary of State Alexander M. Haig Jr., who did not appear at the straw poll, 12.  
Minor candidates received scattered votes. Mr. Robertson also led

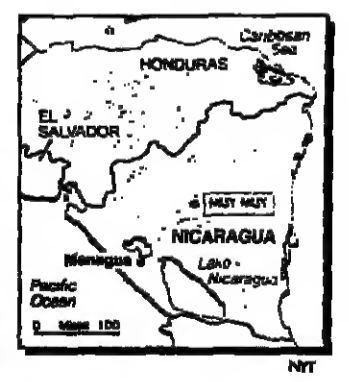
in a separate count of about 300 ballots cast by non-Iowans.  
Republican officials said Mr. Robertson, a television evangelist, had succeeded in his goal of using a strong showing in Iowa to signal the seriousness of his cause and the power of his church-based political organization.  
"What he's done is very impressive," said Charles Black, director of Mr. Kemp's presidential campaign. But Mr. Black said that Mr. Robertson's success in dominating the meeting "by turning out a relatively small number of people" did not necessarily mean that he enjoyed "any mass appeal for a caucus or primary."  
Mr. Robertson has been winning 5 or 6 percent in national opinion polls.  
For Mr. Bush, who holds a substantial lead in nationwide polls over Mr. Dole, a third-place finish was a major blow, since he is regarded as having the best organizational abilities among the Republicans.  
"I dare say he's going to be slipping in the polls," Mr. Robertson said of Mr. Bush after the results were announced. Mr. Robertson said he was "absolutely overwhelmed" by the result.  
"We all expected Bush to win," said Stephen W. Roberts, a leader of the Dole campaign. "Bush is hurt in the sense that he didn't place first or second by the results."  
The meeting, billed as the "Presidential Cavalcade of Stars,"

marked the first time that Mr. Bush had consented to appear on the same platform as his major challenger.  
With shouts and cheers, bands and balloons and waving placards, the meeting at the sports arena of Iowa State University had the feel of a national convention. And the candidates, particularly Mr. Robertson and Mr. Bush, campaigned as if it were, scurrying for votes in the straw poll.  
To vote, a person needed to present an Iowa driver's license and a \$25 ticket to the fund-raising event. Nearly half the tickets were sold Saturday, and most of the last-minute sales were to Robertson supporters, said David A. Oman, vice chairman of the Iowa Republican Party.  
Mr. Oman said Mr. Robertson's backers arrived with "large stacks of checks and bills in small denominations."

## Contras Said to Gain Nicaragua Foothold

By Stephen Kinzer  
New York Times Service  
MUY MUY, Nicaragua — Guerrillas backed by the United States have established a foothold here in central Nicaragua, residents of the area say.  
Last week the guerrillas, known as contras, shut a key road for several days. The residents said the rebels had apparently built a base or bases in the mountainous area northeast of Muy Muy.  
Since the contras began fighting six years ago, they have sought a territory inside Nicaragua where they can be based permanently and through which they can move freely. In the eastern sections of Matagalpa, Boscos and Chontales provinces, they now appear close to achieving that objective for the first time.  
The contra success comes as the Sandinist government is hoping for a quick end to the conflict under the terms of the Central American peace accord signed last month.  
The Sandinists are appealing to the contras to surrender and accept the amnesty offered under terms of the peace accord. Clandestine contra radio stations are urging rebels to ignore the amnesty offer.  
In Washington on Saturday, President Ronald Reagan made some of his most strongly critical remarks yet about the peace plan adopted by five Central American nations. He said it did not have enough safeguards and might even be fatally flawed. His remarks came at a time when the plan is winning wide support in Congress.

The Sandinist government has reported several clashes in the Muy Muy area in recent days. The Defense Ministry said a state-run supply post near the town of Matiguas was raided Wednesday, resulting in the deaths of seven militiamen, a woman and a child. It also said one militiaman and three contras were killed in combat Friday six miles (10 kilometers) from Rio Blanco.  
It was impossible to verify the reports on Friday because the road to Matiguas and Rio Blanco, two of the main towns in the central part of Nicaragua, was closed.  
"It is too dangerous," said a soldier manning a roadblock at Muy Muy, 75 miles northeast of Managua. "There are strict orders not to let anyone through."  
The soldier said the road had been closed most of last week.  
Peasants living in remote areas near Muy Muy said they regularly heard the sounds of battle. They said contras operating from command posts on nearby hillsides often forced the closing of important roads for days at a time.  
This part of Nicaragua is the area where contras have maintained their most constant presence in the last two years. About 4,000 peasants have moved from their isolated plots of land to protected government settlements, some voluntarily and others after being ordered to do so by Sandinist troops.  
Some diplomats and military specialists in Managua say they believe sympathy for the contras is greater in the Muy Muy area than in any other part of Spanish-speaking Nicaragua.



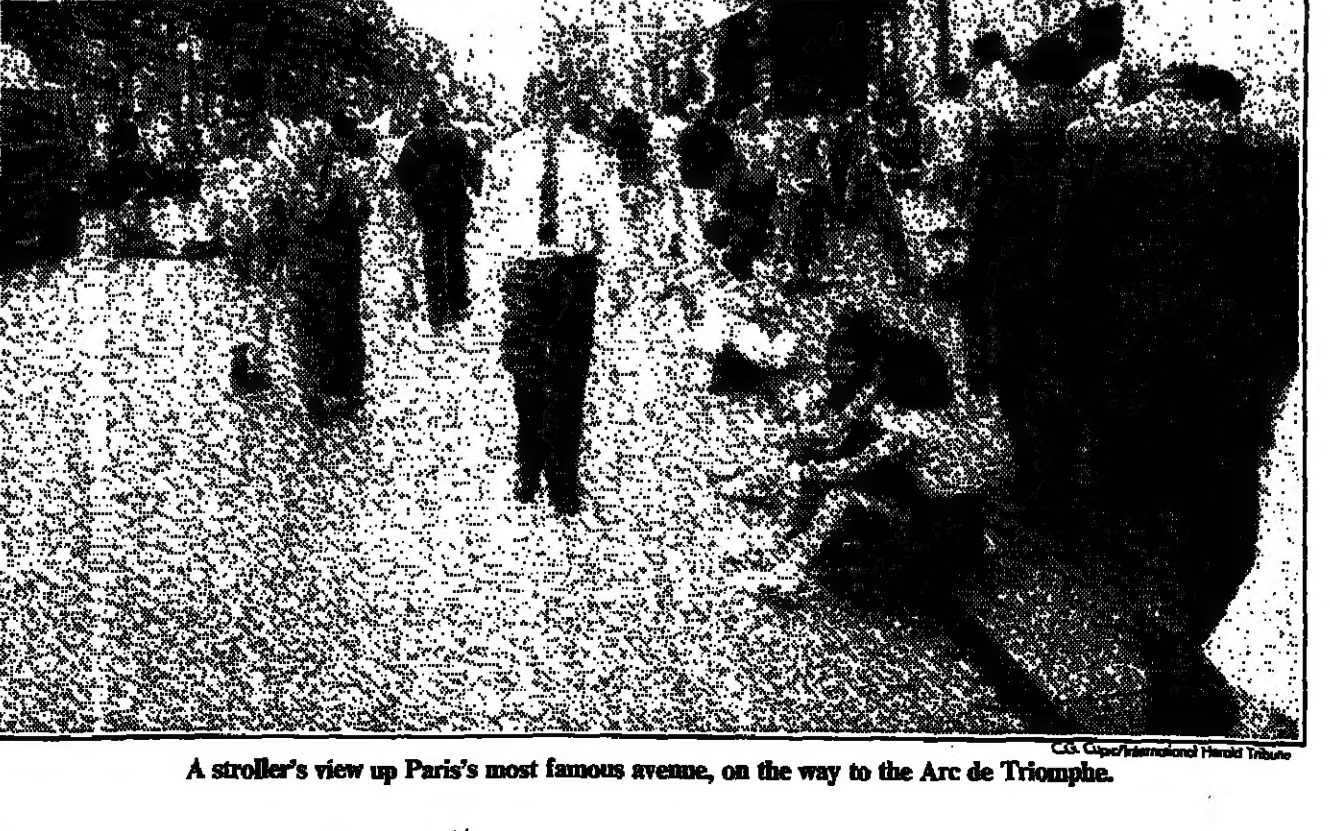
Reagan Faults Latin Plan  
Neil A. Lewis of The New York Times reported from Washington:  
Mr. Reagan strongly criticized the Central American peace plan adopted by five nations of the region. He also said the plan did not See CONTRA, Page 5

- GENERAL NEWS  
Yugoslavia expelled 42 Communist Party members and its vice president resigned over a financial scandal. Page 2.  
Pope John Paul II, in Texas, urged aid for Central American refugees. Page 3.  
SPORTS  
Cincinnati edged Indianapolis in an NFL opener. Page 17.  
BUSINESS/FINANCE  
The IMF predicted economic growth of 2.6 percent in industrial countries in 1988. Page 7.  
PERSONAL INVESTING  
The dramatic unfolding in European publishing are symptomatic of changes that excite investors. Pages 9-12.

## On the Champs-Elyées, Paradise Lost

Idle Youths, Tourist Throngs Change Avenue's Image  
By Julian Nundy  
International Herald Tribune  
PARIS — The fight started when a leather-jacketed youth crossing the street kicked the side of a car that, he thought, had passed too close.  
It ended when the driver, knocked to the ground by friends of the youth, pulled out an aerosol can of tear gas and sprayed it upward at his adversaries. The gas immediately descended into his own face.  
The driver jumped to his feet and, abandoning his car, ran zig-zagging through the traffic, bumping into cars as he went, trying to rub the gas from his eyes.  
This incident occurred recently, under the eyes of policemen distracted briefly from their main task of guarding a foreign airline office against terrorists, near the western end of the Avenue des Champs-Elyées.

The incident was not that unusual for a street that still has the reputation abroad of being one of the world's most elegant avenues but that, locally, has for some years been considered low-brow and, at night, even hazardous.  
With its long, wide sweep up to the Arc de Triomphe, the Champs-Elyées, from the Place de la Concorde at its eastern end, has always been an impressive sight.  
In the daytime, when office workers mingle with tourists, a stroll there is still a pleasant experience.  
At night, the wide sidewalks, now dotted with caricaturists delivering quick, unflattering portraits of those with time and a little money to spare and vendors selling cheap toys and balloons, are far from the most dangerous a tourist is likely to frequent in Paris — the pedestrian areas in the modern Les Halles are much more menacing — but they present a wearying scene.  
For Francois Lebel, the mayor of the eighth arrondissement, where the avenue is situated, the Champs-Elyées is a victim of overpopulation, "of the St-Tropez phenomenon, in which the public at large hears of an idyllic place and goes to see for itself."  
He contends that this "industrial" or mass tourism, "is killing the reason for its own existence."  
The Paris police refuse to give See PARIS, Page 5



A stroller's view up Paris's most famous avenue, on the way to the Arc de Triomphe.







**Main Prominent Palestine**  
A man widely considered to be a key figure in the Palestinian movement in the Israeli-occupied West Bank for the third time in the past decade, Yasser Arafat, was seen in a photograph taken by one of the Israeli army's soldiers.

**deploys Chad Air Defense**  
The United States has announced that it will deploy its first air defense units to Chad, a move that is seen as a significant step in the country's efforts to stabilize the region.

**enters to Coordinate**  
Human rights activists who are working to coordinate efforts to bring attention to the plight of the people of Laos and Cambodia, have announced that they will be holding a series of meetings in the near future.

**Booted at Austrian Fest**  
A group of people who were attempting to enter a festival in Austria, were turned away by the authorities, who claimed that they did not have the necessary permits.

**Accord on Car Phones**  
A deal has been struck between the manufacturers of cars and mobile phones, which will allow for the installation of mobile phones in cars without the need for additional wiring.

**Tunnel in Switzerland**  
A new tunnel has been opened in Switzerland, which will provide a shorter route for traffic between the two countries.

**Delays**  
The launch of a new satellite has been delayed due to technical problems, which are being worked on by the engineers.

**Peter Tosh Reggae Star Is Murdered**  
A reggae star, Peter Tosh, has been found dead, and the police are investigating the circumstances surrounding his death.

## AMERICAN TOPICS

### Roadside Architecture Is Being Preserved

Vintage roadside architecture — huge dogs containing hot-dog stands, snack windows, diners, tourist cabins — is the focus of a growing preservation movement. But examples are disappearing quickly as land values rise and tastes change. The New York Times reports.

In Dearborn, Michigan, the Henry Ford Museum is setting up an exhibit that will include a 1946 diner, an old Holiday Inn sign, a simple 1931 tourist cabin, parts of a miniature golf course of the early 1930s and a drive-in movie theater from the 1950s.

Suffolk County, Long Island, plans to move a two-story diner made of wire mesh, cement and stucco from its present site, which is threatened by development, to a safer location. In Albuquerque, New Mexico, a partnership of businesses and the National Trust for Historic Preservation is preserving a shopping area a mile and a half (2.4 kilometers) long containing some of the earliest examples of roadside architecture and motor cars, the precursors of today's motels.

Such buildings "reflect their times, the automobile culture, fun with the whimsical," said Jim Heilmann, co-author with Rip Georges of "California Crazy — Roadside Vernacular Architecture" (Chronicle Books, San Francisco, 1980).

### Notes About People

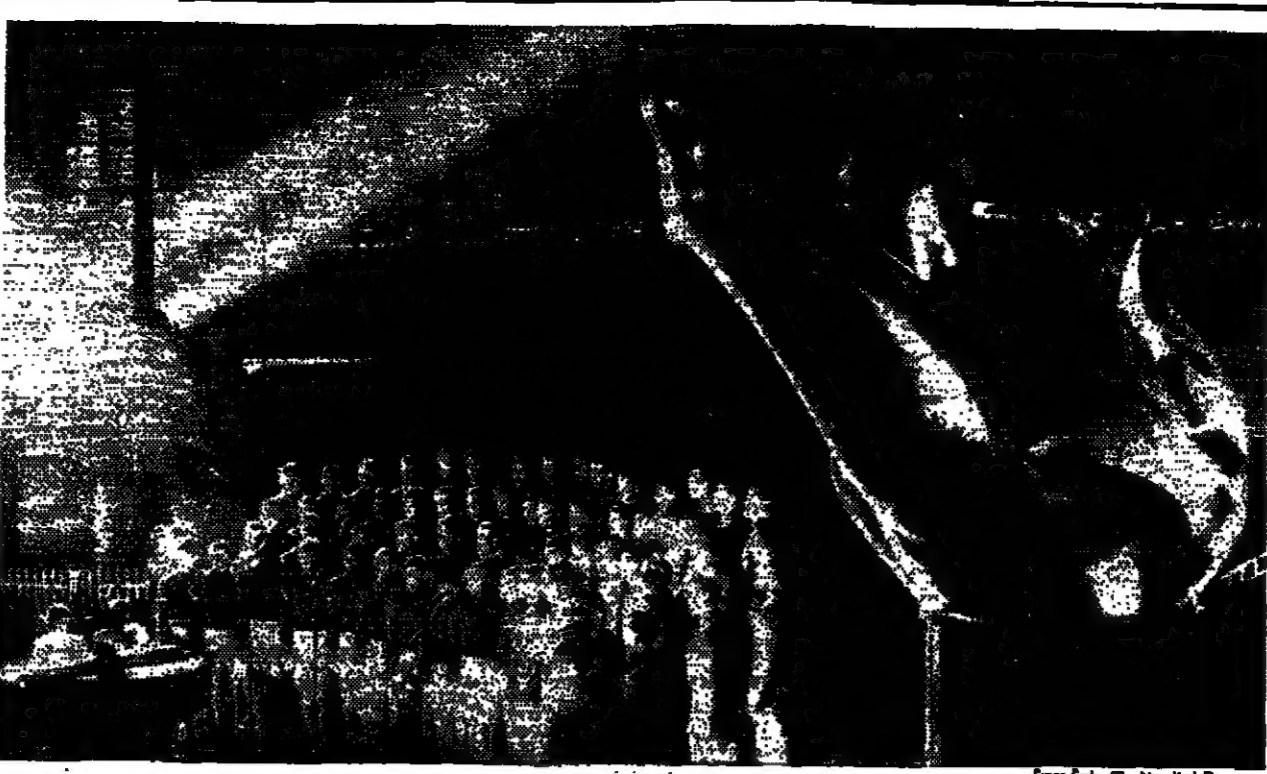
Scott Turow's novel "Presumed Innocent" has been a best seller most of the summer. The film

rights brought \$1 million, and the paperback sale fetched \$3 million, a record for a first novel. Despite his sudden riches, Mr. Turow plans to continue with his Chicago law practice. He told The Washington Post that he hopes to work out some accommodation with his partners whereby he can write several days a week when he is not involved in a trial. He said he would "have to get over my own compulsiveness" as far as the practice of law is concerned. "I find it very difficult, if I have anything to do, to relax, to divert myself to write."

Governor Mario M. Cuomo of New York has been traveling a lot this year but he is not seeing much of the country or its people. He almost never explores the places he is visiting. The New York Times reports. Instead, he goes straight from plane to podium and back to plane, or, if staying overnight, he keeps to his hotel room. Mr. Cuomo says that, surrounded by aides and reporters, he is hardly going to get any insights. Besides, he says, having grown up in a poor family and worked as a minor-league baseball player, lawyer and teacher, "I do not have to depend on my travels as governor as a life-learning experience."

### Short Takes

The police department in Central Falls, Rhode Island, has held its own traffic and misdemeanor courts for the past 30 years or more, with officers presiding over trials in violation of state law and the U.S. Constitution. Defendants could pay minor fines, ask to have cases dismissed or go to district



**A LIBERTY FLAME FOR FRANCE** — The West Point Glee Club performed during the unveiling of the Flame of Liberty, a copy of the flame held by the Statue of Liberty, in Jersey City, New Jersey. The flame replica, built by the French craftsmen who restored the statue for its centennial last year, is to be presented to France, commemorating close French-American ties and the 100th anniversary of the International Herald Tribune.

court. The practice, which began when the town's district court closed in the 1950s, was exposed last month by the Providence Journal. Local officials say the trials were well-intentioned attempts to speed the course of justice and unburden the state courts of minor cases.

A Washington club for men whose wives are more famous than they are is called the Denis Thatcher Society, after the hus-

band of Prime Minister Margaret Thatcher of Britain. The founder is Charles E. Horner, an associate director of the U.S. Information Agency. His wife, Constance, is director of the federal Office of Personnel Management.

Dinner party hosts and hostesses who find their guests' conversation languishing can get things going again with a well-worn subject that is increasingly popular: What man or what woman has had the

most impact on the world in this century? The New York Times reports that the most frequently mentioned men are Churchill, Einstein and Franklin D. Roosevelt; Margaret Thatcher, Eleanor Roosevelt and Margaret Sanger, the population control pioneer, are the top women. The Times found that Henry Ford and the Wright brothers are seldom mentioned.

The National Association to Aid

Fat Americans ended its annual convention last week in Newark, New Jersey. About 200 members showed up. William Fabrey of Port Washington, New York, says he founded the nonprofit group 18 years ago to help "those with the abundant figure" lift one another's self-esteem. Fat people are "the last safe minority to pick on," said the association president, Eileen M. Lefebvre. "And we resent it immensely."

—ARTHUR HIGBEE

## Liberals Triumph in Ontario Voting; Result Seen as Setback for Mulroney

By John F. Burns

New York Times Service

**TORONTO** — The Liberal Party has been returned to power in Ontario, the most populous Canadian province, after an election campaign dominated by a proposed free trade agreement between Canada and the United States.

Final returns Friday gave 95 seats in the 130-seat Legislature to the Liberal Party, which was out of power in the province for more than 40 years before forming a minority government after the previous election two years ago.

The New Democratic Party, a socialist group, won 19 seats in the voting Thursday, and the remaining 16 went to the Conservatives, who ran a political dynasty here from 1943 to 1985.

The election was a personal triumph for the Ontario premier, David Peterson, who pledged to main-

tain a wary attitude on the free trade issue. But it was seen as a setback for Prime Minister Brian Mulroney, the Conservative leader, who has made a trade pact with the United States the centerpiece of his policy.

Mr. Mulroney was elected in a landslide three years ago, but has seen his own standing, and that of his party, erode badly in national public opinion polls. In recent Gallup surveys, the Conservatives ranked third among the major parties, with 25 percent of support.

In Canada, provincial political trends often are divorced from the national pattern. But the decision of the Conservatives in Ontario is a serious blow to the national party. A national election must be held within two years, and victory is virtually impossible without a strong showing in Ontario.

American and Canadian negotiators working on the free trade ac-

cord face an Oct. 5 deadline set by the U.S. Congress when it approved the talks in 1985. But agreement has been stalled by disputes over several major issues, and political opposition to several elements in the proposed agreement has been building on both sides of the border.

In Canada, one of the most influential voices will be that of Mr. Peterson, who used his victory speech on Thursday night to renew his campaign pledge to fight any trade agreement that fails to meet several conditions, including adequate protection for Ontario's automobile industry.

"Free trade is the most pivotal issue our nation has ever faced," the premier told supporters in his home constituency in the city of London. "Now, Ontario will be able to speak with a strong voice for a strong Canada."

## Canadian Quits As the Director of Intelligence Unit

OTTAWA — The director of the domestic intelligence service in Canada has resigned after the agency admitted using false information to obtain a wiretap on a Sikh suspect.

The government announced Friday that Ted Finn, director of the Canadian Security Intelligence Service, would be replaced by a career diplomat, Reid Morden.

Although there were widespread rumors that Mr. Finn had been dismissed, Solicitor-General James Kelleher would say only that Mr. Finn had offered his resignation and it had been accepted.

Earlier Friday, a lawyer for the intelligence service told a federal court that the agency had used unreliable information when it went to court seeking a wiretap on the Sikh suspect, Harjit Singh Arora of Surrey, British Columbia, after the bombing in 1985 of an Air-India airliner that had left from Canada.

## Albanian Yacht Rescue Brings Overture to U.S.

By Henry Kahn

New York Times Service

**BELGRADE** — In a sharp departure from its longstanding hostility toward the United States, Albania rescued a yacht owned by an American that entered its territorial waters during a storm in June, sheltered its four passengers for three days and allowed them to continue when the weather improved.

Equally exceptional given the atmosphere of nonrecognition that has prevailed between the two countries since World War II, the Albanian Embassy in Belgrade notified the U.S. Embassy of the rescue and received a formal diplomatic note of gratitude.

Both embassies confirmed that the rescue and the exchange of notes had taken place, but said the incident had no significance in the relations between the two countries. Nonetheless, an Albanian diplomat said he knew of no other note sent to the United States, except for requests for visas for delegates to the United Nations.

A West European diplomat said that even the rescue was not in keeping with Albanian actions in the past. The dispatch of a courteous note to the United States, which was not required, indicated a marked relaxation of earlier attitudes, he added.

Albania is extremely vigilant over its Adriatic coastline, which borders Yugoslavia on the north and Greece on the south. In its uncompromising, nonaligned brand of Communism, the govern-

ment in Tirana has maintained the entire nation of 2.9 million on a permanent alert against suspected spies, encouraging suspicion of anyone who neared Albanian territory.

As late as 1983, Albanian coast guards shot and killed two French vacationers on a skin-diving excursion from the Greek island of Corfu.

Describing the June incident, the diplomat said: "Because of the bad weather, they were sailing in our waters and asked for help. They were rescued and given all necessary help, and after the sea calmed they continued."

"We couldn't let them drown," the diplomat went on. "Everybody would have done the same thing. I'm sure the Americans would have done the same."

A European ambassador said, "It is exceptional when the Albanians do the usual thing."

Aboard the yacht were its American owner, an American couple and the Belgian woman. The U.S. Embassy said regulations forbade disclosing their names.

The Albanian diplomat said the incident did not signal a change in Albania's stand against the United States.

Since the death of the founding leader of Communist Albania, Enver Hoxha, in 1985, his successor, Ramiz Alia, has slowly steered his country toward greater openness with Western Europe. Closer links have been forged with West Germany, with the expectation that diplomatic relations will soon be opened, and with France, Italy and Greece, with which ties already exist.

## ARMS: Reagan Rejects Pentagon Stance, Signaling Desire for Accord Soon

(Continued from Page 1)

the outset of the agreement to demonstrate good faith.

Administration officials who support the president's recent decision said the moves would remove potential stumbling blocks that would have delayed an arms accord to verify Soviet treaty compliance. They said that Mr. Weinberger's proposal to exclude nonnuclear missiles was opposed by the intelligence community and the State Department because of the difficulty of ensuring that missiles with ostensibly nonnuclear warheads were not armed with nuclear weapons.

An official said that Mr. Weinberger, who generally backs tough proposals on verification, had surprised U.S. negotiators and other arms control officials by "demanding something that is essentially unverifiable" on the matter of conventional cruise missiles.

But senior Pentagon research officials said they were concerned that a global ban on medium- and shorter-range missiles would seriously constrain efforts to develop a "boost-glide vehicle" that would be launched from the ground by a rocket. The vehicle would skim over Eastern Europe or the Soviet Union at speeds of up to 12,000

miles an hour, dropping weapons or taking pictures.

An official said the Defense Department's "boost-glide vehicle" program, virtually dormant for several years, was suddenly "rejuvenated" by the air force early this summer. He added that it could be completed for testing by the president's decision, but only if the weapons were designed to be launched from ships or airplanes, leaving it outside the scope of the agreement.

Senior U.S. officials said the new decisions would still leave the two superpowers at apparent odds over the disposition of existing warheads on medium- and shorter-range missiles. In recent public statements, the Soviet Union has sought assurances that all such warheads would be "destroyed" while the United States favors eliminating the warheads by dismantling them and refashioning the parts into new weapons not covered by the agreement.

**Filibuster Dropped**  
Helen Dewar of The Washington Post reported from Washington: Senate Republicans abandoned on Friday their four-month filibuster blocking major military and arms control legislation.

But they quickly rebounded, announcing that they would push an

amendment that would put the Democratic-controlled Senate on record against any arms control provisions that would "further the interests of the Soviet Union."

The retreat, announced after consultations with the White House by the Senate Republican leader, Bob Dole of Kansas, came as a surprise to Democratic leaders.

Instead of fighting the maneuver, the Republicans decided to cut their losses. They knew that even if they succeeded in blocking the Democrats on Friday, they faced almost certain defeat Tuesday, when Democrats were expected to muster the 60 votes necessary to end the filibuster.

With Mr. Dole in the lead, most Republicans voted with the Democrats to move immediately to begin debate on the \$303 billion military authorization bill for the 1988 fiscal year.

Mr. Dole and John W. Warner of Virginia, the ranking Republican on the Armed Services Committee, proposed language to be considered Tuesday that would oppose any actions "to further the interests of the Soviet Union by unilaterally adopting Soviet negotiating positions that have been rejected by the United States government."

The ABM treaty is at the heart of

the arms initiative in the military bill and was the focal point of the Republican filibuster. A provision sponsored by Sam Nunn, Democrat of Georgia and chairman of the Armed Services Committee, would require congressional approval for reinterpretation of the treaty to allow expanded testing and development of the Strategic Defense Initiative.

But Roman Catholic and political opposition leaders were reluctant to view his homecoming as an advance toward the full democracy promised in the accord. "This is no step forward," said Erick Ramirez, president of the Social Christian Party, the largest opposition group. "This is simply the government's recognition of a past injustice."

Monsignor Carballo, a government critic, was head of the Catholic radio when his return from a visit to the United States was blocked on June 23, 1986, two days after the House of Representatives approved \$100 million in aid for the Nicaraguan rebels, known as contras. The radio has been off the air since January 1986.

## Cleric Returns to Nicaragua

Washington Post Service

**MANAGUA** — Monsignor Bismarck Carballo, exiled last year by the Sandinist government, has returned to Nicaragua from the United States.

The monsignor was greeted by about 1,000 cheering supporters as he stepped from a plane at the Managua airport on Saturday night. President Daniel Ortega, Sandinista leader, announced on Aug. 25 that Monsignor Carballo would be allowed to return home as a gesture of good faith under a regional peace plan signed Aug. 7 in Guatemala by five Central American presidents.

But Roman Catholic and political

## Pope Appears to Back Sanctuary Movement for Latin America Refugees

Reuters

**SAN ANTONIO, Texas** — Pope John Paul II said here Sunday that people in the United States must keep their doors open to Central American refugees.

His comments appeared to give support to the sanctuary offered refugees by some priests and nuns in defiance of U.S. immigration authorities.

The Reagan administration has declared that the refugees, mainly from Honduras and El Salvador, are coming to the United States for economic reasons.

Priests and nuns protecting them say they are political refugees who risk death if they return home.

Speaking to 300,000 mainly Hispanic Americans at an outdoor Mass, the pope said:

"Among you there are people of great courage and generosity who have been doing much on behalf of suffering brothers and sisters arriving from the south."

"They have sought to show compassion in the face of complex human and social and political reality."

The crowd was half the size expected. Red Cross workers said hundreds of people were sprayed with water and treated for heat exhaustion in temperatures that reached 95 degrees Fahrenheit (35 centigrade).

The pope, on the fourth day of his nine-city U.S. tour, said Texas had become a testing ground for whether Americans were committed to their founding principles as they faced a wave of immigration from Latin America.

Hispanic Americans make up about 30 percent of America's 253 million Roman Catholics. By next century they are expected to be the religion's majority ethnic community in the United States.

## Black Poverty Assailed

Robert Suro of The New York Times reported from New Orleans:

On Saturday the pope denounced the "economic deprivation" suffered by U.S. blacks and praised the nonviolent tactics of the civil rights movement as divinely inspired.

Addressing 1,800 black Catholics, he said: "Even in this wealthy nation, committed by the Founding Fathers to the dignity and equality of all persons, the black community suffers a disproportionate share of economic deprivation. Far too many of your young people receive less than an equal opportunity for a quality education and for peaceful employment."

Catholics must struggle to correct these imbalances because, he said, "the church can never remain silent in the face of injustice."

Earlier, the pope listened as Bishop Joseph L. Howze, a black from Biloxi, Mississippi, said that while black American bishops recently called racism "a stain" on the church, "for us it must be the opportunity to work for the church's renewal as part of our task of evangelization."

Before the pope arrived, Bishop James P. Lyle, an auxiliary bishop of Cleveland, told those in the audience that they should feel free to shout "amen" in the style of a revival meeting, and some did.

Black Catholics have been pressing the church to permit greater acceptance of such a style of worship, as well as spirituals and hymns of the black tradition, including some that are Baptist or Methodist in origin.

John Paul saw much of that Saturday, and he responded by clapping his hands during the singing of the hymn "Black Thankfulness." He said, "I urge you to keep alive and active your rich cultural gifts."

The number of black Catholics in the United States has risen dramatically in recent years, to about 1.3 million, from 600,000 in 1960. The increase is mostly due to conversions, according to recent studies. For the most part black Catholics live in Louisiana, with its French Catholic heritage, and big metropolitan areas like New York, Chicago, Miami, Los Angeles and Detroit. There are 11 black bishops out of the 300 in the United States, about 300 black priests, 700 nuns and 250 permanent deacons.

Fewer than 5 percent of American blacks are Catholics, and only 2.5 percent of American Catholics are black.

## Error Gave Researcher AIDS Virus

By Michael Specter

Washington Post Service

**WASHINGTON** — A researcher at a laboratory associated with the National Institutes of Health was not following proper safety rules when he became infected with the concentrated strain of the AIDS virus he was handling, federal health officials have said.

The officials have known for more than a year that the man was infected with the virus, but only last week could they prove that it came from the laboratory.

"It seems clear that there was a breach of safety rules," Dr. James B. Wyngaarden, director of the institute, said Friday. "We carried out an exhaustive review, and we have concluded that the current level of safety in our laboratories is adequate."

Dr. Wyngaarden did not say how the worker erred, but other federal officials said he removed his gloves to take notes in an area where the virus may have leaked from a machine. Officials added that the researcher had skin abrasions on his hands and that the virus that causes acquired immune deficiency syndrome can enter the body through cuts.

Researchers at the institutes and their families have expressed concern, wondering how a worker who said he followed guidelines carefully could possibly have been infected.

After hours of interviews with the man, who has not developed symptoms of the disease, officials determined that he removed his gloves while working with a viral strain so highly concentrated that it was millions of times more powerful than the one found in humans.

In interviews with health officials, the worker said that leakage from medical instruments containing the virus had occurred.

For several years, the institutes have tested hundreds of researchers who work with the virus, and this man is the first laboratory scientist known to have become infected.

The overwhelming majority of AIDS cases are the result of sexual contact or intravenous drug use, and the virus has also been passed in blood transfusions and from infected mother to fetus.



**Institut Pasteur**  
1887-1987-2087

**THE CENTENARY OF THE PASTEUR INSTITUTE**

will be celebrated on 8th October 1987.

To mark the occasion, a prestigious publication will be distributed

Advertising reservations may be received up to Sept. 17, 1987.

To place your reservation, telephone (1) 48 24 51 15  
telex 281 762 F.

22 Rue Drouot - 75009 - PARIS

**QUALITY CRAFTSMANSHIP AND STYLE. THE DUNHILL MILLENNIUM.**

**ALFRED DUNHILL LIMITED**

20 DUNHILL STREET, LONDON SW1A 2AA  
Telephone 01-499 6666  
Telex 94 0000  
DUNHILL















EUROBONDS

Impact of U.S. Trade Gap  
Blunted by Jittery Dealers

LONDON — The U.S. trade deficit rose to \$16.47 billion in July from \$15.71 billion in June. It is a simple enough statement, but it was one the Eurobond market had been anxiously awaiting the whole week. In fact, bond traders are not especially concerned about the actual size of the deficit. What does worry them is its effect on the U.S. dollar.

One dealer at a U.S. securities house in London illustrated this point Friday. "I'm a trader, not an economist," he said. "An American buying a Toyota doesn't really worry me, but the dollar falling 1.5 pence does. It hits my book" of bond holdings.

The dollar has been falling against most major currencies for over a year now as the U.S. trade deficit has widened. Until recently foreign holders of dollar Eurobonds were protected somewhat from the effects of a weaker dollar by the fact that interest rates were also falling. But the end of that trend was abruptly signaled on Sept. 4 when the Federal Reserve raised the U.S. discount rate to 6 percent from 5 percent.

The market had been expecting a trade deficit of around \$15.5 billion. Anything less and the dollar probably would have risen. So when news of the larger-than-expected deficit flashed across their computer screens, the natural reaction of traders was to sell, and they did — heavily.

Within minutes the dollar had fallen by more than 1.5 pence against the Deutsche mark and also by 2 pence. The U.S. Treasury's key 30-year bond fell a full percentage point. Longer-dated fixed-rate Eurobonds fell by a similar amount. It looked like the traders, in judging the figure, had gotten it right.

But then something curious happened. The dollar started rising from its lows. Within three hours the U.S. long bond was trading at levels above Thursday's close and eventually finished the U.S. session about a half-point higher than this previous finish.

Why did this happen? On the surface, nothing had changed. The deficit was still the same and already economists were saying that the dollar was in for a further rough ride.

THE ANSWER as far as Eurobonds were concerned was that trading fundamentals took over. Dealers in Europe are generally reluctant to go home for the weekend with too many short positions on their books. It can prove very expensive, if any news breaks that sends bond prices higher. So the traders started to buy bonds to cover those positions. The same thing happened to the dollar in the currency markets.

One dealer at a U.S. securities house said he had established a large short position in a particular bond issue immediately after the figures. "It cost me money to get it back," he confessed ruefully. "The trouble is when you're short and the market starts to rise, prices move up in 1/4- or 1/2-point bounds."

With dealers describing the market as oversold, other traders rushed to cover short positions. The gains became self-feeding and the market eventually finished with some issues showing half-point increases from Thursday's levels, although prices generally were as much as 1 point down from the previous week.

In the longer term, though, one day's trading means nothing. Many dealers and analysts feel that further interest-rate rises will be needed in order to protect the dollar. For example, on Thursday, Albert Wozniak, First Boston Corp.'s managing director, said that he expects the Federal Reserve to raise the discount rate to 7 percent by the end of the year.

Some optimists cite February's Louvre accord on currency stabilization as a factor that will support the dollar. Recently central banks — notably West Germany's Bundesbank and the Bank of Japan — have indeed been buying dollars heavily.

But as one doubtful trader puts it, "The central banks are going to get fed up buying dollars that no one wants. Something's got to give." By Friday evening dealers were already speculating that the dollar could soon decline another 5 percent.

No new dollar straightens were launched last week. But this does not mean that borrowers are not waiting on the sidelines. Indeed, this week should see the launch of a \$1 billion offering for Italy. Although Credit Suisse First Boston Ltd. will not comment formally on whether it has received the mandate to arrange the deal, market sources say that the firm approached potential co-lead managers on Wednesday.

The sources say that these banks were approached to underwrite a hefty \$100 million each. They noted that these firms were unwilling to commit themselves to such an extent ahead of the U.S. trade figure.

But this week is a different matter and the sources say the bond could emerge as early as Monday. Price talk has centered on a three-year deal with a yield spread of 55 to 60 basis points, or

See EURO BONDS, Page 13

Spending Fuels Economic Boom in Portugal

But Inflation  
Fears Grow, Too

By Paul Delaney  
New York Times Service

LISBON — When the parking lot of Continental, a sprawling supermarket complex with 53 checkout counters, is filled, shoppers leave their cars along the shoulders of a nearby expressway and risk crossing four lanes of traffic to reach the bargains in Lisbon's first American-style shopping mall.

Maybe not everyone walks back to a car on the expressway hauling a sofa, as one man was seen doing, but shoppers file out of the one-story structure loaded down with consumer goods.

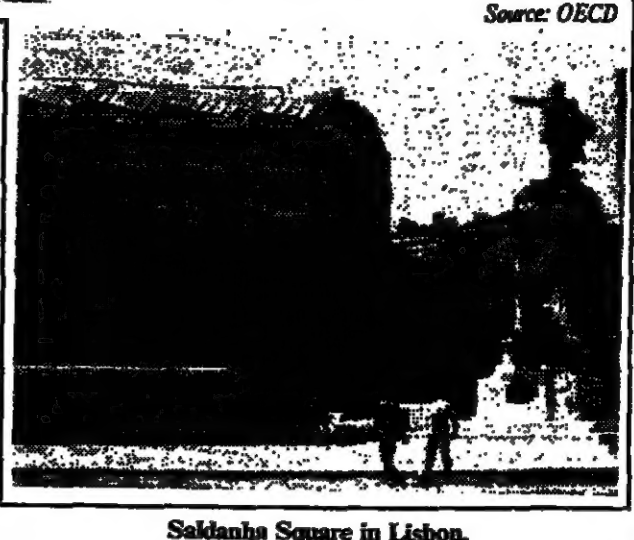
Manuela Alves, a music teacher, and her companion, Francisco Teixeira Mota, an attorney, acknowledged that they have been spending money like crazy the past two years, buying a compact disk player, furniture, a car, a clothes dryer, artwork and a vacation home.

Then there is Antonio Pedro Vasconcelos, a movie director, and his wife, Teresa Schmidt. Their recent purchases have included a car, washing machine and dryer, stereo, television and compact disk player.

They, like many of the 10 million citizens of Portugal, are on a binge that is helping to fuel an economic boom in an country

Demand, output and prices Percentage changes, volume (1977 prices)					
	1982	1983	1984	1985	1986
Private consumption	1,275.0	-3.0	1.0	6.5	3
Government consumption	366.6	2.5	1.7	1.9	14
Gross fixed capital formation	382.0	-18.0	-3.0	9.3	7
Total domestic demand	2,023.6	-8.5	-0.3	9.7	20
Change in stockholding	71.9	-0.4	0.5	1.4	34
Total domestic demand	2,095.5	-9.0	0.2	11.1	54
Exports of goods and services	474.3	14.2	11.1	7.7	46
Imports of goods and services	522.3	-2.7	3.3	16.3	7
Change in foreign balance	-447.9	16.9	7.8	-9.6	-1
GDP at market prices	1,647.1	-1.6	3.3	8.8	24
GDP implicit price deflator	—	25.0	21.6	18.0	94

Source: OECD



Saldanha Square in Lisbon.

IMF Forecasts  
2.6% Growth in  
Industrial World

WASHINGTON — The International Monetary Fund forecasts a tepid economic growth rate of 2.6 percent in the industrial world next year, slightly higher than the 2.4 percent expected for 1987, monetary sources said Sunday.

The forecast is contained in the IMF's World Economic Outlook, to be published later this month. It implies that leading industrial nations should implement current policies faster to reduce massive trade imbalances between the United States and West Germany and Japan, the sources said.

One U.S. official suggested that progress in closing the gap between the huge U.S. trade deficit and the surpluses of Japan and West Germany may be too slow for the financial markets, where the dollar is already under renewed pressure.

The three nations agreed at a series of meetings this year that Bonn and Tokyo should boost their economic growth, expanding domestic demand in order to curb exports and bolster imports.

Washington, on the other hand, undertook to reduce its huge budget deficit, estimated at about \$157 billion this year, which economists

say is a major underlying cause of the trade deficit.

U.S. figures indicate that adjustment in U.S. trade is not yet happening. On Friday, the Commerce Department reported that the U.S. merchandise trade deficit widened to a record \$16.47 billion in July.

Congress is expected to pass a protectionist trade bill this month, putting pressure on the administration to demand greater stimulus from its key economic allies.

The IMF predicts that the United States' growth rate will be 3.1 percent in 1988, up from 2.4 percent this year.

West Germany's growth rate is put at a paltry 1.5 percent this year, improving to 2.3 percent in 1988. Japan's growth rate, meanwhile, is forecast at a robust 3.4 percent in 1988, up from 3.2 percent this year.

The IMF forecasts form the backdrop for meetings in Washington of the world's finance ministers and central bankers, due to begin in about two weeks.

The sources said that the IMF predicts that growth in the British economy will decline to a 2.2 percent pace from 3.3 percent in 1987.

Hungary's Economic Reform Plan Likely to Stir Debate

BUDAPEST — Hungary's new prime minister, Karoly Grosz, will be watched anxiously by both East and West on Wednesday when he presents new tax proposals and other tough measures to tackle an array of economic problems.

The package includes plans to introduce personal income tax and the East bloc's first value-added tax from January. It will be debated in what promises to be the liveliest session of the National Assembly for 30 years.

Western bankers are watching closely because of a worrying rise in Hungary's foreign debt, which Mr. Grosz's "consolidation program" for 1988 to 1990 aims to cap. Communist leaders elsewhere, particularly in the Soviet Union, are interested because Hungary has been a trailblazer in the economic changes many of them are now making.

"The session is crucial in that it will show how far Hungary is prepared to go to solve its problems," a Western diplomat said.

Diplomats say Soviet and Chinese reformers are eager to see that Hungary does not, as one put it, "fall on its butt," because that

could give ammunition to conservative opponents of change in their countries.

Net foreign debt has surged to more than \$10 billion from just over \$5 billion at the beginning of 1986, and is now higher per capita than that of Poland.

Its problems also include a huge budget deficit and sluggish hard currency trade, and Mr. Grosz concedes that the remedies will mean that living standards slip.

But since his appointment in June, Mr. Grosz has stressed his total commitment to reform. "We shall not change the goals under any circumstances," he was quoted as saying in a recent interview.

Leszlo Antal, a finance ministry economist, said: "If the Western governments supporting us see that the reforms are made and are getting faster and stronger, then I am sure that they will have patience."

Mr. Antal said the new program would emphasize strict monetary regulation and focus on a budget deficit which tripled to 47 billion forints (about \$1 billion) last year. The trade deficit with the West was \$540 million in 1986.

The National Assembly was a rubber stamp for nearly 30 years until 1985, when multi-candidate elections were introduced. Few diplomats believe the legislature could reject Mr. Grosz's program outright, but deputies have already forced major amendments during committee debates.

Saudis Refuse  
Oil 'Swing' Role

New York Times Service

VIENNA — Saudi Arabia's oil minister, Hisham Nazer, has said his country will not act as a "swing producer," reducing its output to help bring OPEC's overproduction into balance.

Mr. Nazer's remarks Friday underlined what analysts see as a growing rift between Saudi Arabia and Iran, whose year-old alliance helped push up prices by putting pressure on the Organization of Petroleum Exporting Countries to adhere to its quotas.

On Thursday, Iran's deputy oil minister, Hosein Kazerouni, said Saudi Arabia should firm up its output and get Kuwait and Iraq to trim theirs.

Yugoslavia to Adjust Foreign Debt Payments

REUTERS

BELGRADE — Yugoslavia, grappling with 116 percent inflation and other acute economic problems, has said it will soon restructure payments on its foreign debt of nearly \$20 billion.

In a statement on Friday, the government said: "Yugoslavia is about to adjust its debt obligations toward foreign creditors according

to possibilities in the country's economy."

It did not say whether commercial banks had accepted such a plan. Yugoslavia in July had to delay repayments to banks of \$245 million amid a serious foreign currency shortage.

It said the government had prepared a long-term debt stabilization program which uses "other

Holmes à Court's Stake  
In Standard Faces Limit

By Warren Getler  
International Herald Tribune

LONDON — The Bank of England has asked Robert Holmes à Court, the Australian financier, to limit his holdings in Standard Chartered PLC, Britain's fifth largest bank, until the central bank has completed an inquiry involving Standard, a Bank of England spokesman said Sunday.

Mr. Holmes à Court currently holds a 14.94 percent stake in Standard and was recently appointed its deputy group chairman.

In response to a query, the Bank of England spokesman said the financier had indicated that he wants to raise his stake above 15 percent, which the central bank considers a "controlling interest."

At Standard's request, the central bank is conducting an investigation of Standard's tactics in thwarting a hostile bid from Lloyds Bank PLC last year. The Bank is exploring press allegations that Standard improperly lent money to some investors who bought stakes in Standard during Lloyds's bid.

Mr. Holmes à Court, whose initial 4.7 percent shareholding helped Standard defeat the Lloyds bid, was unavailable for comment, although he is understood to have accepted the central bank's request.

The central bank, which has indicated that it hopes to complete its inquiry by January, has no specific authority to prevent the Australian financier from raising his stake.

The Bank will obtain such power on Oct. 1, when a new banking law allows it to force any shareholder deemed not "fit and proper" to reduce his stake below 15 percent.

Mr. Holmes à Court's motivations for increasing his stake are not clear, a senior official at Standard said Sunday, noting the holding was not considered hostile.

Separately, Michael D. McWilliam, the bank group's managing director, said on Sunday that although the bank was weighing the sale of its California-based subsidiary, Union Bancorp Group, no talks have taken place.

Union said on Friday that it is a potential acquisition target, and U.S. analysts said Wells Fargo & Co. and Dai-ichi Kangyo Bank Ltd. appear to be interested buyers.

Analysis put the price tag at \$1 billion to \$1.5 billion.

FT Group Is Dismissing 2  
For Abusing Data in Trades

International Herald Tribune

LONDON — Two junior employees of the Financial Times group are under stock exchange investigation for having traded in shares on the basis of privileged information and are to be dismissed, officials of the news group said on Sunday.

The employees, male clerks, worked for Finstat, the FT group's electronic share-price information guide, which is not directly linked to the Financial Times newspaper. The amount of money involved in the trades is said to be nominal.

The two admitted having used information from advance copies of an FT publication, Investors Chronicle, to trade in shares before the weekly magazine was distributed to the public, FT sources said.

The Financial Times group bans employees from trading on information they obtain as journalists. FT executives said they contacted the insider-trading investigators team at the stock exchange several weeks ago, alerting officials to what they saw as suspicious share-price movements possibly related to material that was to appear in Investors Chronicle.

Insider trading is a criminal offense in Britain, but the stock exchange has no power to bring criminal charges, which is the job of the director of public prosecutions.

FT sources said they were not certain whether this case could be described as insider dealing under the law.

The affair was disclosed in the Sunday Times and the Observer. The FT was to print a report of the event in its Monday issue.

Geoffrey D. Owen, editor of the Financial Times, said the FT did not break the story because it was considered "an internal affair."

INVESTMENT

Company located in excellent building in best commercial area, exclusive high-fashion company with worldwide prestige, fully operational, many long-standing clients, high profitability. Shares for sale based on minimum investment of U.S. \$750,000.

P.O. Box 46054, Madrid.

Currency Rates

Cross Rates	Sept. 11
American dollar	2.0255
Swiss franc	2.0255
British pound	1.6471
French franc	6.5596
German mark	1.3636
Italian lira	2.3364
Japanese yen	163.89
Spanish peseta	166.64
Portuguese escudo	200.48
Belgian franc	36.363
Dutch guilder	3.7603
Australian dollar	1.5478
New Zealand dollar	1.4812
South African rand	1.4812
Israeli sheqel	3.4812
Thai baht	5.5478
Singapore dollar	1.3636
Malaysian ringgit	2.3364
Indonesian rupiah	163.89
Philippine peso	48.681
Thai baht	5.5478
Singapore dollar	1.3636
Malaysian ringgit	2.3364
Indonesian rupiah	163.89
Philippine peso	48.681

Changes in London, Tokyo and Zurich, London in other currencies, New York rates of 4 P.M. (C) Commercial rates; (F) To buy one pound; (S) To buy one dollar; (U) Units of 100; (M) Not quoted; (N/A) Not available.

Other Dollar Values	Per \$
Australian dollar	0.6578
British pound	0.6034
French franc	0.1535
German mark	0.0756
Italian lira	0.0043
Japanese yen	0.0061
Spanish peseta	0.0064
Portuguese escudo	0.0080
Belgian franc	0.0253
Dutch guilder	0.0263
Australian dollar	0.6578
British pound	0.6034
French franc	0.1535
German mark	0.0756
Italian lira	0.0043
Japanese yen	0.0061
Spanish peseta	0.0064
Portuguese escudo	0.0080
Belgian franc	0.0253
Dutch guilder	0.0263

Forward Rates	30-day	60-day	90-day	180-day
Swiss franc	1.4812	1.4812	1.4812	1.4812
British pound	1.6471	1.6471	1.6471	1.6471
French franc	6.5596	6.5596	6.5596	6.5596
German mark	1.3636	1.3636	1.3636	1.3636

Sources: Interbank Bank (London); Swiss Commercial Bank (Zurich); Swiss National Bank (Bern); Deutsche Bank (Frankfurt); Citibank (New York); Reuters and AP.

Last Week's Markets

All figures are as of close of trading Friday

Stock Indices	Sept. 11	Sept. 10	% Chg.
DJ Industrials	2,608.74	2,547.38	+2.48%
DJ Transp.	1,092.53	1,082.45	+0.93%
DJ Utility	1,022.53	1,022.45	+0.01%
S & P 500	317.16	316.70	+0.14%
S & P 400	317.16	316.70	+0.14%
NYSE Comp.	1,022.53	1,022.45	+0.01%

Money Rates	Sept. 11	Sept. 10	% Chg.
Discount rate	6.00%	6.00%	0.00%
Federal funds rate	5.75%	5.75%	0.00%
Prime rate	8.00%	8.00%	0.00%
3-month Treasury	5.75%	5.75%	0.00%
6-month Treasury	5.75%	5.75%	0.00%
1-year Treasury	5.75%	5.75%	0.00%

Commodity Prices	Sept. 11	Sept. 10	% Chg.
Crude oil	22.40	22.40	0.00%
Natural gas	2.40	2.40	0.00%
Gold	340.00	340.00	0.00%
Silver	16.00	16.00	0.00%
Copper	1.60	1.60	0.00%
Aluminum	0.40	0.40	0.00%

World	Sept. 11	Sept. 10	% Chg.
World Index	48.00	48.00	0.00%
World Index	48.00	48.00	0.00%
World Index	48.00	48.00	0.00%
World Index	48.00	48.00	0.00%



FF 168,000,000  
International Offering  
of 240,000 Shares of Common Stock  
with 120,000 Warrants  
to subscribe to Additional Shares  
from September 1, 1987 to December 31, 1988

Crédit Commercial de France • S.G. Warburg Securities

Shearson Lehman Brothers International • Laurence Prust & Co. Ltd.

Wood Gundy Inc. • Kredietbank International Group



OTC Consolidated trading for week ended Friday. Sept 11

# PEP

## FOCUS

### Interest Rates: More Gloom

**O**LD habits die hard. This became obvious over the summer as the monetary policies at the first world government's spending plans. In West Germany bank nudged up short-term interest rates. And in what seemed a fitting farewell to the Federal Reserve raised the discount rate.

There's a feeling among central bankers may have been too accommodating," says Lewis, economist at Phillips & Drew. "They feel they may have underestimated inflation."

To be sure, there were compelling reasons. The new-found confidence at the start of the summer, combined with oil price, caught many governments. This was especially true in Europe. It was an alarming rate. "Some countries believed they were facing what their own currencies were going to," says Robert Brusca, chief economist with the International in New York.

These policy shifts have already shaken the Salomon Brothers' World Government, which tracks the nine biggest markets, registered a meager total of 1 percent in dollar terms last month. That last July's performance, when the index rose 2 percent, but the negative return of 2 percent, but the cheerless investors, who had grown a double-digit returns last year.

The U.S. Treasury market was among performers in August, with a negative 1 percent. Japanese government bonds, with a 5.29 percent return. But in y performance was flat.

Whether the central banks overreacted to be debated among economists. Most inflation is growing, but a number of the pre-emptive policies were too severe.

**E**VEN the Fed's motive for the increase has been called into question. It "argues Deborah Foye Kuznetsov, international investment strategist with Merrill Lynch. U.S. inflation news is actually looking now than it did in the spring."

Undoubtedly, some of these policies were as inflationary, fears outside. It sends the attitude of central banks now of "stop-go" when it comes to their interest, some investors anticipate a sharp

July 1987



# PEER

## Monthly Report for the

### FOCUS

#### Interest Rates: More Gloom

**O**LD habits die hard. This becomes obvious over the summer as monetary policies at the first world conference adopted less pressure. In Japan, there was talk of spending plans. In West Germany, nudged up short-term interest rates seemed a fitting farewell to what seemed a fitting farewell to Federal Reserve raised the discount rate point.

"There's a feeling among central bankers may have been too accommodating," Lewis, economist at Phillips & Drew says "They feel they may have underestimated inflation."

To be sure, there were compelling reasons. The new-found confidence at the start of the summer, combined with a rise in oil prices, caught many governments by surprise. It was especially true in Europe. This was an alarming rate. "Some countries believed they were faced with their own currencies were going to collapse," Robert Brusca, chief economist with the International Bank in New York said.

These policy shifts have already had an impact. The Salomon Brothers' World Government index, which tracks the nine biggest nations, registered a meager total return in dollar terms last month. The index July's performance, when the negative return of 2 percent, but the charged investors, who had grown a double-digit returns last year.

The U.S. Treasury market was among performers in August, with a negative percent. Japanese government bonds with a 5.29 percent return. But in a performance was flat.

Whether the central banks overreacted to be debated among economists. Most inflation is growing, but a number of the pre-emptive policies were too severe.

**E**VEN the Fed's motive for the increase has been called into question, argues Deborah Foye Kuznetsov, investment strategist with Merrill Lynch. U.S. inflation news is actually looking worse than it did in the spring.

No doubt, some of these policies would be as inflationary: fears outside, makes the attitude of central banks sound of "hop-god" when it comes to their ahead, some investors anticipate a strong bond market when it becomes clear inflation rate will average less than one percent.

But the policy shifts have left a legacy of investor's minds. "At this point, you markets have entered a cyclical bear," Mr. Kuznetsov. And whenever it comes to earnings. Falling interest rates, as far as we are a thing of the past.

### COLLECTING

## Stamps A

By Alice Oshins

New issues are already back to 1979 level higher.

"Prices have increased an average percent this year and many rare stamps selling way above that," says Walter J. Galleries in New York. At the same time, Danny Jurd, who runs an auction house, Australia, sees nothing but "no improvement" ahead.

Stamps that were bringing in a few thousand catalogued prices last year now fetching multiples of that value. Five-cent Benjamin Franklin, which fell to \$600 catalogue price to \$400 a year ago sells for as much as \$800.

At a March 1987 auction at Christie's New York, a 1961 stamp from the United States that was estimated at \$100 sold for \$1,000. At another recent auction, a Mexican 20-cent Aztec postage stamp commemorated sold at \$11,000; its catalogue value was \$8,000.


The unmarred record none-too-soon prices soared to record highs in 1980 as inflation hit. But when financial markets began show new vigor as inflation ebbed, in the abandoned the stamp market.

In 1980, we ended the year with a 10% inflation and in 1982 we finished with a 10% inflation and no decrease in volume explains.

Heightened concern about inflation and widespread desire among investors to diversify their portfolios now that the rally in stock markets has entered its sixth year, created the hope for the improvement in the stamp market.

"When a country's economy signals a recession, people tend to go to tangible things like stamps," notes John Dunn, director at the American Philatelic Society.

Australia's 1913 Kangaroo stamp.





# PERSONAL INVESTING

## FOCUS

### Interest Rates: More Gloom

**O**LD habits die hard. This became painfully obvious over the summer as central banks around the world adopted less accommodative monetary policies at the first whiff of inflationary pressure. In Japan, there was talk of curbing the government's spending plans. In West Germany, the Bundesbank nudged up short-term interest rates. And in what seemed a fitting farewell to summer, the Federal Reserve raised the discount rate by a half-point.

"There's a feeling among central bankers that they may have been too accommodating," says Stephen Lewis, economist at Phillips & Drew in London. "They feel they may have underestimated the threat of inflation."

To be sure, there were compelling reasons to do so. The new-found confidence in the dollar at the start of the summer, combined with a resurgence in oil prices, caught many governments by surprise. This was especially true in Japan, where prices rose at an alarming rate. "Suddenly, these countries believed they were faced with the prospect that their own currencies were going to weaken," says Robert Brusca, chief economist with Nikko Securities International in New York.

These policy shifts have already taken their toll. The Salomon Brothers' World Government Bond index, which tracks the nine biggest fixed-income markets, registered a meager total return of 1.51 percent in dollar terms last month. This was better than July's performance, when the index showed a negative return of 2 percent, but the results hardly cheered investors, who had grown accustomed to double-digit returns last year.

The U.S. Treasury market was among the worst performers in August, with a negative return of 0.44 percent. Japanese government bonds ranked first, with a 5.29 percent return. But in yen terms, the performance was flat.

Whether the central banks overreacted continues to be debated among economists. Most believe that inflation is growing, but a number of economists say the pre-emptive policies were too severe.

**E**VEN the Fed's motive for the discount rate increase has been called into question. "I think it had more to do with stabilizing the dollar," argues Deborah Foye Kuenster, an international investment strategist with Merrill Lynch. "The U.S. inflation news is actually looking a lot better now than it did in the spring."

Undoubtedly, some of these policies will be reversed as inflationary fears subside. Mr. Brusca describes the attitude of central banks nowadays as one of "stop-go" when it comes to their economies. Indeed, some investors anticipate a resurgence in the yen bond market when it becomes clear that Japan's inflation rate will average less than 1 percent this year.

But the policy shifts have left a legacy of doubt in investors' minds. "At this point, you can say bond markets have entered a cyclical bear market," says Mr. Kuenster. And when it comes to stocks, investors will have to look at narrower trends like company earnings. Falling interest rates, as far as she is concerned, are a thing of the past.

John Meehan



## Europe's Publishers Are on the Prowl

By Jacques Neher

**I**T has been anything but a peaceful summer for European publishers. In the Netherlands, Wolters Kluwer merged with Elsevier. French publisher Hachette was rumored to be on the acquisition trail after losing its bid for France's biggest television network. And in Italy, a family feud over control of the country's top publisher, Arnoldo Mondadori Editore SpA, dragged on.

Such maneuverings provided some spark to the otherwise lazy mood that descends on the continent's business every summer. Publishing is an industry where it is not unusual for powerful and power-seeking personalities to dominate headlines.

Yet, a number of analysts say the corporate dramas that have been unfolding are symptomatic of major changes in the publishing industry that normally excite investors.

Some analysts, like Tony Thomson of American Express Asset Management in London, caution that the sector may be "overheated." But others say Europe's publishing stocks still have much going for them.

"I've been bullish on this sector for five years, and I continue to be," says

### Investors are betting on new alliances.

Derek Terrington, publishing analyst with London stockbroker Phillips & Drew.

Investors first began paying attention to publishing stocks a couple of years ago. "It's a fashion that spread from the United States a few years back, when suddenly the information sector was considered the thing to be in," says Denis Christie of James Capel & Co. in London.

But they have become even more popular recently because of growing opportunities for publishers to expand their business horizons. In France, for example, the denationalization of TFI, which ended up in a bidding contest between Hachette and Bouygues, demonstrated the desire of publishers to diversify into other sectors of the media. Moreover, the industry's trend toward consolidation will continue, analysts contend, as the sector becomes more global in nature.

So far, the Amsterdam stock market has witnessed the most bitter takeover

contest. But analysts do not believe the story has ended with the newly merged Wolters Kluwer. Mr. Christie believes Elsevier "will probably try to get hold of" Wolters Kluwer when its price comes down.

In the meantime, British publisher Robert Maxwell, who was rebuffed in his attempt to take over Harcourt, Brace Jovanovich in the United States, has been talking with the Elsevier chairman, Pierre Vinken.

Elsevier may be willing to sacrifice a bit of its independence to pursue its ambitions, analysts say. "Elsevier wants to be one of the major publishing groups in the world within the next 10 years," says Mr. Christie of James Capel. "Its management just might perceive Maxwell as the ship to tie itself to in order to achieve that."

Dutch observers say such a merger could create synergies in the scientific publishing activities of both compe-

### Profiting From Publishers

Estimates of per share earnings increases for Europe's top publishers in 1987

Mondadori Italy	37%
Elsevier The Netherlands	28%
Hachette France	20%
VNU The Netherlands	9%
Axel Springer West Germany	7%

## Getting In On Private Placements

By Cynthia Catterson

**I**NVESTORS who bought shares in the software company Aldus Corp. when it went public last June have little to complain about. The stock was originally offered at \$20 a share on the over-the-counter market and before long was trading above \$30.

Still, the 50 percent price gain pales in comparison to the returns earned by a handful of investors who bought shares in the company before the offering.

Three years ago, this select group responded to an offering made by invitation only, a so-called private placement that allowed the company president, Paul Brainerd, to raise capital for his infant firm without going public. Those lucky enough to be included purchased their stock at a mere 19 cents a share.

For small companies with little or no operating history, private placements are often the only way they can raise capital because the registration and underwriting costs are prohibitively high. In addition, some small firms prefer to keep the number of shares in the hands of few, so they can maintain control over the direction of the company and perhaps make a big offering a few years down the road.

"If you go public right out of the block, you give up half the company," explains Richard Fisher, who raised \$100,000 through a private placement last year for his company, Quadra Corp., which makes composite material used in the aerospace industry.

And for investors, the allure is obvious. "With private placements, the investor is invariably buying at wholesale prices rather than retail," says Rob Lawrence, vice president in charge of private placements at Citibank, "so there is an opportunity for superior appreciation."

To be sure, the vast majority of private placements involve institutional investors. Big companies typically issue private placements in the form of debt to diversify sources of funding or to keep a recapitalization confidential.

Yet, private placements are available to individuals, requiring a minimum investment of between \$5,000 and \$500,000. And some experts believe the number of such offerings will increase if the Securities and Exchange Commission goes ahead with a proposal to ease restrictions on private offerings to individuals.

Private placements can come in many forms, though limited partnerships are the most common deals available to individuals. Such an arrangement allows investors to pool their resources to meet the steep capital requirements.

Up until last year, most partnership offerings were struc-

Continued on page 11

**Open country.**  
By broadening your scope of opportunities, we make it easier to choose the alternatives that best suit you.



If you're a substantial international investor, you'll find it worthwhile to explore opportunities that lie outside traditional brokerage activities. The place to do it is Merrill Lynch.

Merrill Lynch is one of the largest, most experienced financial institutions in the world. And as our client, you have access not only to our trading capabilities, but also to our breadth of financial expertise and services.

Whether you're interested in dollar or non-dollar investments, in Euronotes or financial futures, or in more traditional equity or

bond markets, we offer you timely investments around the globe, around the clock.

For example, you can participate in one of our international equities funds. Or an international fixed income fund. Or our Cash Management Account™ International Financial Service that keeps your assets working for you in one convenient place.

How are all these services of Merrill Lynch integrated to meet your precise needs? In a very personalized, discreet way, through your own Financial Consultant—a professional who understands

your investment objectives and works with you to help fulfill them.

Merrill Lynch can help you find opportunities beyond your current horizons in 26 offices in 16 countries throughout Europe and the Middle East. Call our office nearest you today.

**Harness the power of a global presence.**

**Merrill Lynch**

## COLLECTING

### Stamps Are on the Rebound

By Alice Oshins



Australia's 1913 Kangaroo stamp.

tain issues are already back to 1979 levels and higher.

"Prices have increased an average of 15 percent this year and many rare stamps are selling well above that," says Walter J. Mader, vice president of Robert A. Siegel Auction Galleries in New York. At the same time, Danny Judd, who runs an auction house in Sydney, Australia, sees nothing but "sustained improvement" ahead.

Stamps that were bringing in a fraction of their published catalogue prices last year are now fetching multiples of that value. For instance, Mr. Mader explains, the U.S. No. 1 five-cent Benjamin Franklin, which fell below its \$650 catalogue price to \$400 a year ago, now sells for as much as \$800.

At a March 1987 auction at Christie's in New York, a 1861 stamp from the Cape of Good Hope that was estimated at \$6,000 fetched \$20,900. And at another recent Christie's auction, a Mexican 20-cent Amelia Earhart commemorative sold at \$11,000; its estimated value was \$8,000.

The turnaround came none too soon. Stamp prices soared to record highs in 1980 as investors sought tangible assets in the face of rising inflation. But when financial markets began to show more vigor as inflation ebbed, investors abandoned the stamp market.

"In 1980, we ended the year with sales of \$18 million and in 1982 we finished with \$10.5 million with no decrease in volume," Mr. Mader explains.

Frightened concern about inflation and a widespread desire among investors to diversify their portfolios now that the rally in financial markets has entered its sixth year are credited for the improvement in the stamp market.

"When a country's economy signals inflation, people tend to go to tangible items such as stamps," notes John Dunn, educational director at the Philatelic Foundation in New York



The biggest stamp markets can be found in Japan, Britain, the United States, West Germany and the Netherlands. These countries have the biggest population of collectors who lend support to the marketplace. But more recently, collectors in the Arab states and in Australia have also become forces to be reckoned with.

Mr. Judd believes Australia's Kangaroo series, which ran from 1913 to 1936, is a good example of the type of stamp investors should be studying. He notes that the 1913 £2 black and red kangaroo, which sold for 5,000 Australian dollars a year ago, is now worth twice that amount.

Regardless of their attractiveness and apparent age, not all stamps are considered investment-grade. In general, Mr. Mader says demand is biggest for classic stamps of the world. These are first issues dated before 1900.

Rarity is another important factor, and here is where misprints and other errors can significantly raise the price of a stamp. The first U.S. airmail stamp issued in 1919 with the airplane mistakenly inverted in the center—only 100 were printed—can fetch as much as \$140,000.

Jacques Robineau, an auctioneer in Paris at J. Robineau & Co. in Paris, expects the 1849 one-franc Vermillion to be selling this year for about 10 percent above its 1986 price of 65,000 francs. The stamp, one of the first issues in France, is a product of faulty color mixing. It should have been printed in a darker shade of red. Mr. Robineau estimates no more than 2,000 were printed.

But investors should keep in mind that not all errors are valuable. A 1962 yellow Dag Hammarskjöld "invert," issued by the U.S. government to commemorate the secretary-general of the United Nations, goes for no

more than its face value because the government continued to produce it even after the error was discovered.

Higher denomination stamps appreciate faster than the smaller denominations. The most obvious case is that of the U.S. Graf Zeppelin, airmail stamps issued in the 1930s. The 65-cent stamp, which was intended for postcards, goes for about \$250, according to Elizabeth Pope, stamp expert at Christie's, whereas the \$2.60 version that was used for letters sells for approximately \$1,000.

A stamp's condition also plays a major role in pricing. Tears, creases, missing perforations and poor condition of the gum can detract from resale value. For example, a set of U.S. Columbians, a series issued to commemorate the 1893 World Columbian Exposition, is priced over \$10,000 in very fine. One that is in less perfect condition will fetch \$1,500.

But buyers beware. Before you lay out large sums of money, it is best to have a stamp evaluated by an expert. To an untrained eye, repairs and improvements are difficult if not impossible to detect. The Philatelic Foundation says about 15 percent of the 15,000 stamps it studies each year have been altered in some way to enhance the value.



1913 Falkland Islands centenary issue.

than the genuine stamp. "They were highly skillful and are more representative of a defining art," says Mr. Dunn.

Sperati, an Italian who moved to Paris, was a lithographer in the first half of the 20th century. He claimed his redesigns of ordinary stamps from around the world were not counterfeit but were works of art.

Peter Robertson, curator at the Philatelic Foundation, says Sperati's works were so skillful that many of them have not been identified. Although if they are genuine Speratis, they are worth between \$400 and \$500.

Fournier, on the other hand, counterfeited on a mass at the turn of the century using lithography. His work does not sell for as much as that of Sperati. It is also more obvious imitation.







## BOU/SSES

## W Germany's High-Flying Retail Stocks

Gail Schares

CONSUMERS in West Germany are on a buying binge, a fact that means sharply higher prices for retail consumer-goods shares. Though some issues already overpriced, selected shares will likely outperform the market in the next six to 12 months, analysts say.

"The retail shares are very expensive, but this is the only area where prices are still rising," says Jens Ehrhardt, publisher of Munich-based market newsletter Finanzwoche (Finan Week).

The prospect of wage increases and a 14.5 billion Deutsche mark (DM) increase in the consumer price index next year, a fund manager at Baring Fund Managers, London, "The consumer and retail sector has the sound fundamentals" in the market, he says.

Private consumption scored 2.3 percent in the second quarter, placing exports as the economy's driving force, according to government figures. Consumer spending in 1987 is expected to rise by a comfortable 3.5 percent. Forecasts say the spending should continue into 1988, when tax cuts take effect.

The weak dollar, which has battered West German industrial exporters, is another argument in favor of these domestically oriented shares. "Retail is the only sector in the German market which is almost totally sheltered from exchange rate fluctuations," notes Andrew Thomson, analyst with Kleinwort Greaveson in London.

A beneficiary of such thinking has been Hoescht-Held, whose share has risen from 520 DM in June to nearly 700 DM lately. Starting with a group of small confectionery shops in 1968, Hoescht now operates 16 chains with 825 retail outlets. The outlets include a perfume, discount, drugstore, book and magazine shops, sports stores and jewelry stores.

Management puts strong emphasis on location, service and the appearance of its stores, says followers of the company, a strategy translating into hefty, durable profit margins. Hoescht "sticks to its concept very successfully," says Joseph Rooney, an analyst with James Capel & Co. in London. "It's a superior stock people can put away for any length of time."

Hoescht's lofty share price prompts even some admirers to advise waiting for a correction before buying. But other observers say the stock is still attractive, given the momentum of consumer spending and the company's expansion plans. The Hoescht-based company has announced plans for further acquisitions in West Germany and expansion into France and Italy.

Analysts expect a steady 12 to 15 percent improvement in Hoescht's earnings in 1987 and in 1988. The company has



Shoppers outside Karstadt in Munich.

said it is likely to raise its dividend again in 1987, following a boost to 9 DM a share in 1986.

Another beneficiary of the consumer boom is Hingo Bosa, a menswear manufacturer that is booming back from the announcement earlier this year of lower-than-expected 1986 earnings. Some followers of the company have concluded that last year's earnings were somewhat understated because Bosa took advantage of new accounting rules. Under European Commission regulations that took effect last year, Bosa was able to tack away hidden reserves through changes in the method of valuing its inventory.

Bosa's top management has said repeatedly since news of the disappointing results that earnings strength has not diminished. "We fully used the opportunities presented to us by the new accounting methods," says Konrad Jud, managing director. "We were one of the first companies to

use the new method, and the market reacted a little nervously."

Bosa's sales jumped 39.6 percent in 1986 to 430 million DM, while earnings per share rose only 12 percent. But one West German bank analyst ventured that a look at unjustified, internal figures would show that profits are still growing faster than sales.

Other analysts are circumspect. "I'm not so sure it's a long-term growth issue," says Mr. Ehrhardt. "Its success depends on how well they anticipate fashion trends."

Bosa is not without its problems. Several years of rapid growth brought the company to the point of saturation in the West German market, threatening its exclusive name. In June, it announced plans to cut 60 retail outlets, about 8 percent of its distribution network in West Germany.

The challenge for Bosa now is penetrating foreign markets to maintain growth. Although the company is moving aggressively into other European countries, the United States and Canada, analysts said the transition to an international fashion house will be no easy task.

Even Mr. Jud cautions that the company's growth is unlikely to continue at over 30 percent a year. "Once you're over 500 million DM in sales, 30 percent growth is too fast for the organization to handle carefully," he said. "We would be happy to see growth slow a little."

From a low of 1,610 DM earlier this year, Bosa's stock has bounced back to about 2,100 DM, but the price-earnings ratio of 22 is still lower than the average multiple of 25 to 30 for the retail sector. The stock is thinly traded and somewhat volatile.

"Fundamentally, Bosa's stock is in order. It's a good buy between 1,900 DM and 2,000 DM per share," says Walter Heinemann, an analyst with Bankhaus Merck Finck & Co.

West Germany's big department stores, Kaufhof and Karstadt, get mixed reviews. Both are benefiting from a decade of restructuring and diversification after losing ground to discount houses and specialty chains during the 1970s. Their turnaround potential combined with the boom in consumer spending bodes well, but their stock prices are already up sharply.

"The biggest expectations for these stocks have already been fulfilled," says Iris Ullmann, an analyst with Oppenheim Finance Analysts in Cologne. The shares trade at about 30 times earnings.

Some analysts, though, note that Kaufhof and Karstadt have hidden value in their real estate holdings. Kaufhof owns about 90 percent of its buildings, most of which are located in prime downtown property, while Karstadt owns about 63 percent.

A fast-growing alternative to the department stores is discounter ALDI. Its stores sell building, hobby and garden supplies, and shoes, electronic goods and health care products. It also operates supermarkets.



**A current account that earns**

**US\$5-61%**  
US DOLLARS

**£ 9-30%**  
STERLING

\*Compound annual rate at 7th September 1987

Royal Trust Bank (Isle of Man) is incorporated with unlimited liability and is part of one of Canada's largest financial institutions with assets under administration exceeding Canadian \$71 billion. We were the first North American financial institution to be established in the Isle of Man.

Hi-Yield from Royal Trust gives you flexibility, security and a high return. Main features include:

- High rates of interest linked to the money markets
- Cheque books in Sterling, U.S. Dollars
- Multi-currency cheque book also available which allows cheques to be drawn in other major currencies. These are converted to the currency of your account on presentation
- Interest paid gross
- Immediate access to funds
- Capital security
- Confidentiality
- No minimum withdrawals
- Statements quarterly with full narratives
- Interest calculated daily and credited monthly
- No charge for the first five cheques issued each month
- The minimum amount required to open an account is only £2,000 or US\$10,000

**ROYAL TRUST**

Royal Trust Bank (Isle of Man), Royal Trust House, 60/62 Athol Street, Douglas, Isle of Man. Tel: (0624) 29521. Tlx: 829520.

**ROYAL TRUST**  
**High-Yield**  
**OFFSHORE CHEQUE ACCOUNT**

To: Royal Trust Bank (Isle of Man), Royal Trust House, 60/62 Athol Street, Douglas, Isle of Man. Tel: (0624) 29521. Tlx: 829520

Please tick:  
☐ I/we wish to open a 'Hi-Yield' Offshore Cheque Account  
☐ Account  
☐ Cheque is enclosed for £ \_\_\_\_\_ or US\$ \_\_\_\_\_  
☐ Please send more details of your 'Hi-Yield' Offshore Cheque Account

Name \_\_\_\_\_  
Address \_\_\_\_\_

(HT 54.9)

## Publishing

agreement is free to enter into the market. Kenneth Co. of Munich, Germany, has the right to publish a book on the market in 1987. The book is expected to be published in 1987.

IN West Germany, the market for publishing is expected to be strong. The market is expected to be strong in 1987. The market is expected to be strong in 1987.

The market for publishing is expected to be strong. The market is expected to be strong in 1987. The market is expected to be strong in 1987.

The market for publishing is expected to be strong. The market is expected to be strong in 1987. The market is expected to be strong in 1987.

The market for publishing is expected to be strong. The market is expected to be strong in 1987. The market is expected to be strong in 1987.

The market for publishing is expected to be strong. The market is expected to be strong in 1987. The market is expected to be strong in 1987.

The market for publishing is expected to be strong. The market is expected to be strong in 1987. The market is expected to be strong in 1987.

The market for publishing is expected to be strong. The market is expected to be strong in 1987. The market is expected to be strong in 1987.

The market for publishing is expected to be strong. The market is expected to be strong in 1987. The market is expected to be strong in 1987.

The market for publishing is expected to be strong. The market is expected to be strong in 1987. The market is expected to be strong in 1987.

The market for publishing is expected to be strong. The market is expected to be strong in 1987. The market is expected to be strong in 1987.

The market for publishing is expected to be strong. The market is expected to be strong in 1987. The market is expected to be strong in 1987.

The market for publishing is expected to be strong. The market is expected to be strong in 1987. The market is expected to be strong in 1987.

The market for publishing is expected to be strong. The market is expected to be strong in 1987. The market is expected to be strong in 1987.

The market for publishing is expected to be strong. The market is expected to be strong in 1987. The market is expected to be strong in 1987.

The market for publishing is expected to be strong. The market is expected to be strong in 1987. The market is expected to be strong in 1987.

The market for publishing is expected to be strong. The market is expected to be strong in 1987. The market is expected to be strong in 1987.

The market for publishing is expected to be strong. The market is expected to be strong in 1987. The market is expected to be strong in 1987.

The market for publishing is expected to be strong. The market is expected to be strong in 1987. The market is expected to be strong in 1987.

The market for publishing is expected to be strong. The market is expected to be strong in 1987. The market is expected to be strong in 1987.

The market for publishing is expected to be strong. The market is expected to be strong in 1987. The market is expected to be strong in 1987.

The market for publishing is expected to be strong. The market is expected to be strong in 1987. The market is expected to be strong in 1987.

## Lure of Private Placements

**A chance to invest at wholesale prices.**

Continued from page 9

tured to take advantage of the write-offs, like those associated with real estate investments. But the 1986 tax reform changed that.

"Private offerings must now be economically viable rather than tax driven," says Gerry Rooney, vice president and senior banker at Morgan Guaranty Trust Co.'s private banking division. "Now the organizations' putting these deals together have to be more innovative and aim toward real return."

The emphasis on income has also meant that more offerings are finding their way abroad, with foreign banks and money managers steering deals to selected clients.

A good example of the new trend was a partnership put together last year by E.F. Hutton to buy 10 hotels from the Ramada Inn franchise. Hutton borrowed \$54 million and raised \$37 million in capital from investors who each put up about \$60,000 per unit, according to Tim Clarke, an associate in the firm's direct-investments division.

The private partnership, he says, provides enough capital to cover the interest expenses for the loan and generates income for investors. Investors have already received a quarterly distribution of \$1,500 since the deal closed in March, he says, which would be equal to a 10 percent return for the year.

In addition, he says, depreciation allowances for the properties lowers the taxes investors must pay on the partnership income. Mr. Clarke says the partnership will attempt to become public in about four years, at which time, investors should be able to sell their shares without liquidating the entire partnership.

Another example are so-called marketing partnerships like one organized by Daleco Research & Technology, a venture capital firm. Daleco has raised more than \$2 million in a private marketing partnership to help a small drug

firm, Zila Pharmaceuticals, market its new product, Zilactin.

The partnership, which was sold in minimum \$15,000 units, is structured to share in 10 percent of the company's gross earnings.

Michael Dale, executive vice president of Daleco, says the two-year-old partnership so far has had three cash distributions, equivalent to a 10 percent return. He estimates the average return will more than triple as the product, a treatment for cancer sores, further penetrates the market place.

Meanwhile, Morgan Bank, which began showing selected placements to its private clients last year, is putting together a private partnership to help a motion picture company finance the distribution and advertising of three completed films. Morgan declines to reveal the name of the film company because the offering is still open to investors.

Investors, who are required to put up a minimum of \$250,000, will share in the ticket receipts within the first two months of the film's first distribution. The first film is scheduled to premiere in November.

Private placements can be arranged by anyone—lawyers, investment advisers, private banks and large retail brokerage firms. But because of their very private nature, many investors may never hear of one.

Advertising or solicitation during an offer can cost the deal its private-exemption status. Therefore, investors interested in private placements must make themselves known to the bankers, brokers or entrepreneurs who are likely to be aware of private offerings.

Still, not everyone qualifies. Under Regulation D of the Securities and Exchange Commission, private placements can be offered to an unlimited number of "accredited" investors, those who have a net worth of \$1 million or annual income of \$200,000.

These individuals, it is assumed, are sophisticated investors who are capable of evaluating the viability and risk of a private issue or can hire someone who is knowledgeable enough to weigh the proposal.

No more than 35 unaccredited

investors can invest in a private placement, and some states have restrictions on the suitability of these investors. In North Carolina, for example, unaccredited investors must have a net worth of \$200,000, exclusive of cars, home and home furnishings, or a net worth of \$60,000 with an annual salary of \$60,000.

The SEC is considering widening the qualifications. One proposal under study would allow more credit unions and savings and loans associations to invest in private placements. Moreover, a two-income family with combined earnings of more than \$300,000 would qualify as accredited investors. This is the so-called "yuppie" exemption.

The most controversial aspect of the plan is to ease the restrictions on the size of a private offering without requiring sponsors to furnish information about the deal to investors. Currently, sponsors can raise a maximum of \$500,000 without spelling out what they intend to do with the money, or even notifying regulatory authorities.

The SEC is expected to announce its decision sometime in late autumn.

INVESTORS are entitled to a written business plan or offering memorandum. This document must disclose "all material information that would affect the investment decision of a reasonable man," explains Frank Haden, staff attorney at the securities regulation office in Georgia. But the requirements are decidedly less rigorous than those for a public offering.

The exemption from registration means the issue does not have to go through the review process," says Wayne Howell, Georgia's deputy secretary of state. "If they lie, cheat or steal in the offering, we can still take action against them," he says.

A common type of fraud, according to Martin Cordell, securities examiner of the state of Washington, is the so-called pyramid scheme, in which individuals who invest early on in the deal are paid dividends with money raised from subsequent investors. The majority of the funds end up in the sponsor's pocket.

## ATTENTION:

**High Net Worth Individuals And Small Institutions**

Looking for a way to sensibly invest in some of America's premier Emerging Growth companies?

Alex. Brown, America's oldest investment banking firm, targets young, emerging growth companies for investment research and investment banking services. As a result, we cover the market. If you are looking to expand your American equity portfolio beyond "Blue Chip" stocks, you should develop a relationship with us.

Will host informative meetings the week of Oct. 5-9 in Paris, Amsterdam and Geneva. \$250,000 minimum. Call Kevin Abell at (301) 727-1700 for details, or Telex: 198186, or Fax no. 301-625-0432.

Alex. Brown & Sons

INCORPORATED  
Offices: Baltimore, New York, London, San Francisco, Boston, Dallas, Philadelphia and Washington, D.C.



## THE HALIFAX. PERFECT FOR GROWING MONEY IN A LAND OF LATE FROSTS AND COLD WET SUMMERS.

It might sound like the type of climate you're trying to escape, but for your money the Halifax is ideal.

And being the World's No. 1. Building Society we are able to combine generous interest rates with high security. Of course, investors not ordinarily resident in the U.K. for tax purposes are paid the full gross rates of interest.

You can open a 90 Day Xtra account with as little as £500 and we've included a new level of interest, giving balances over £10,000 10.63% (10.91% C.A.R.\*). And balances of £25,000 and over receive the top rate of 10.96% (11.26% C.A.R.\*).

Withdrawals are easy, just give us 90 days

notice in writing. Or you can have instant access losing only 90 days interest on the amount taken out. Withdrawals which leave a balance of at least £5,000 can be made immediately without loss of interest.

Of course, if you don't need to make withdrawals, and assuming there are no changes in the variable rates quoted, look how your money can grow after just one year.

Amount Invested	£10,000	£20,000	£30,000
Interest after 1 year	£1,091	£2,182	£3,378

So fill in the coupon now, or contact David Roberts in our Overseas Business Unit on 0422 65777 (extension 2419).

To: Halifax Building Society Ref IKW Trinity Road, Halifax HX1 2RG UK

HT/SP10

I/we enclose a Sterling Cheque/Sterling Money Draft no \_\_\_\_\_ for £ \_\_\_\_\_ (minimum investment £500).

To be invested in a 90 Day Xtra account. I/we would like the interest to be: ☐ added to balance ☐ paid to me (Please send me full details.) ☐ I am/we are not ordinarily resident in the UK. Please send the declaration form for payment of gross interest.

Full Name(s) \_\_\_\_\_

Address \_\_\_\_\_

This sum is being invested by me/us as sole/joint beneficial owner(s)

Signature(s) \_\_\_\_\_

Date \_\_\_\_\_



THE WORLD'S NO 1

\*Interest is compounded twice yearly giving the Compound Annual Rate (C.A.R.) or can be paid as monthly income. All interest rates quoted are correct at time of going to press.

To: Halifax Building Society P.O. Box 60, Trinity Road, Halifax HX1 2RG UK

## DIAMONDS



## YOUR BEST BUY

Single diamonds at wholesale prices by ordering direct from Antwerp, the world's most important cut-diamond market. Give diamonds to the ones you love, buy for investment, for your enjoyment. Write annual for free price list or call us:

Joseph Goldstein  
diamondexport BVBA  
Established 1928  
Postbus 102, B-2000 Antwerp,  
Belgium - Tel: (32-3) 254-07-51.  
Telex: 71779  
at the Diamond Club Bldg.

Gold Medal  
HOLLANDS NEDERLANDSE DIAMANT  
1986 1985 1984







## New International Bond Issues

Compiled by Lawrence Deville

Issuer	Amount (millions)	Maturity	Coupon %	Price	Price and week	Terms
<b>FLUATING RATE NOTES</b>						
Jewel II	\$100	1992	0.25	100.10	—	Over 6-month LIBOR, Noncallable, Fees 0.125%, Discounted \$100.00.
Caisse Nationale des Télécommunications	Fr 400	1996	0.10	101	—	Over average yield of medium-term bonds (TME), Noncallable.
Civos V	¥9,000	1994	0.19	100	—	Over 6-month LIBOR, Noncallable, Fees 0.10%.
<b>FIXED-COUPON</b>						
Elcom	¥5,100	1992	8 1/4	116 1/4	—	Noncallable, Fees 1.00%, Discounted \$0 million yen.
World Bank	¥50,000	1992	5 1/4	101	99.13	Noncallable, Fees 1.00%.
<b>OUTRIGHT-LINKED</b>						
Doshinpon	\$70	1992	3 1/4	100	98.25	Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at 1,000 yen per share and at 142.80 yen per dollar, Fees 2.00%.
Hodogaya Chemical	\$50	1992	open	100	98.13	Coupon indicated at 3.00%, Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at 1,000 yen per share and at 142.80 yen per dollar, Fees 2.00%.
Matsushita Electric Works	\$300	1992	3	100	98.00	Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at 1,000 yen per share and at 142.80 yen per dollar, Fees 2.00%.
Morinaga Milk Industry	\$100	1992	3 1/4	100	—	Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at 1,000 yen per share and at 142.80 yen per dollar, Fees 2.00%.
Nippon Meat Packers	\$100	1992	3	100	99.00	Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at 1,000 yen per share and at 142.80 yen per dollar, Fees 2.00%.
Riken Vinyl Industry	\$35	1992	open	100	98.50	Coupon indicated at 3.00%, Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at 1,000 yen per share and at 142.80 yen per dollar, Fees 2.00%.
Ryobi	\$50	1992	3 1/4	100	101.00	Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at 1,000 yen per share and at 142.80 yen per dollar, Fees 2.00%.
Saito Aluminum Industry	\$70	1992	open	100	97.25	Coupon indicated at 3.00%, Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at 1,000 yen per share and at 142.80 yen per dollar, Fees 2.00%.
Sanwa Bank	\$300	2002	1 1/4	100	—	Seasonally, Callable at 103 in 1992, Convertible at 3.00 yen per share and at 142.80 yen per dollar, \$250 million issued in Japan and \$50 million in Asia.
Sanyo Special Steel	\$80	1992	3 1/4	100	—	Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at 1,000 yen per share and at 142.80 yen per dollar, Fees 2.00%.
Sekisui Jushi	\$30	1992	open	100	—	Coupon indicated at 3.00%, Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at 1,000 yen per share and at 142.80 yen per dollar, Fees 2.00%.
Tokyo Kobe Bank	\$120	2002	1 1/4	100	94.00	Callable at 103 in 1992, Convertible at 1,677 yen per share and at 142.80 yen per dollar, Fees 2.00%.
Tokyo Mitsubishi	\$25	1992	open	100	—	Coupon indicated at 3.00%, Noncallable, Each \$5,000 note with one warrant exercisable into company's shares at 1,000 yen per share and at 142.80 yen per dollar, Fees 2.00%.
Henkel Finance Europe	DM 250	1994	6 1/4	132	—	Noncallable, Each 1,000-mark note with 2 warrants, each exercisable into one preference share of 500 marks or share, Fees 2.00%.

## BUSINESS ROUNDUP

### Westmark to Acquire Tracor for \$694 Million

By Thomas C. Hayes  
New York Times Service

DALLAS—Westmark Systems Inc., a technology holding company headed by Bobby R. Inman, has agreed to acquire Tracor Inc., a military-electronics company, for \$694.4 million in cash.

The acquisition would be the first by Westmark, a holding company formed last year by Mason Best Co., an investment banking firm in Dallas. Mr. Inman, a former navy admiral and deputy director of the CIA, is Westmark's chairman and chief executive.

Directors of Tracor, based in Austin, Texas, have approved the \$32.5-a-share offer. A tender offer is set to begin Monday and end Oct. 5. Mr. Inman said Friday that financing had been obtained.

The sale of Tracor fits a pattern of acquisitions in the military industry this year. Earlier, ARGO Systems of Sunnyvale, California, was acquired by Boeing Co., and ElectroSpace Systems Inc. of Dallas was bought by Chrysler Corp. Argo and ElectroSpace specialize in computer-based electronic systems and services.

Tracor, with 10,000 employees in

five countries and sales of \$632 million in 1986, recently entered this field, for both military and commercial applications. Its main business is in products and services for anti-submarine warfare.

Lior Bregman, an analyst with Hambrecht & Quist in San Francisco, said hostilities in the Gulf and investments by T. Boone Pickens in Boeing and Singer Co., also a military contractor, during the summer helped to draw attention to Tracor's earnings potential.

The company had fallen from favor among investors after write-offs in 1985 and 1986, the result of cost overruns on Pentagon contracts. Tracor had earnings of \$18.3 million last year, a little more than half of the \$33.2 million it earned in 1984, its best year.

Philip Brannon, an analyst with Merrill Lynch Inc. in New York, said the \$32.5-a-share offer by Westmark was surprisingly high.

"I can't imagine that anyone would pay any more for it," he said. Tracor's share price jumped \$9 Friday, to close at a record \$32, on volume of more than three million shares in trading on the New York



Bobby R. Inman

Stock Exchange. Its previous high had been \$28.375 in early 1985.

In a telephone interview, Mr. Inman said Tracor fitted Westmark's goal of acquiring a few large, diversified electronics companies to which smaller, specialized companies could later be added.

Mr. Inman, who resigned from the CIA in 1982 to become the first president of Microelectronics Computer Technology Corp., a research consortium in Austin, left that post last January for Westmark.

Mr. Inman was on Tracor's board until June.

### Kodak Rewards Shareholders

Readers

NEW YORK—Eastman Kodak Co., riding the crest of its record earnings and strong sales gains last quarter, has declared a 3-for-2 stock split and raised its quarterly dividend by 7 percent.

The split, which means stockholders will get one extra share for each two they already own, will be accompanied by a dividend increase that will raise the quarterly per-share payout to 45 cents from the equivalent of 42 cents.

Kodak's stock price shot up \$2 on the news Friday to close at

\$101.75 on the New York Stock Exchange. The stock gained almost \$7 a share for the week.

"They're doing well and they wanted to make that point," said Peter Enderlin, an analyst with Smith Barney Harris Upham & Co. "Sales are strong, they are controlling costs well, and they are getting good contributions from their new products."

Two months ago Kodak reported sharply higher second-quarter earnings of \$361.9 million. Sales jumped 19 percent to \$3.21 billion.

The announcement appears on a matter of record only.

### 375,000 Units at \$8.00

(1 share + 1 warrant)

### EPITOPE INC.

The above shares have been placed privately with European institutional clients of

### American Equities Overseas Inc.

### San Pellegrino Takes Coca Cola to Court

Readers

MILAN—The soft drink producer San Pellegrino SpA says it has begun legal action in Italy against The Coca-Cola Export Corp., a unit of Coca-Cola Co., and 27 Italian bottlers, alleging unfair competition.

San Pellegrino said Friday that it had launched its own cola drink in May, but that Coca-Cola had blocked the product's access to the Italian market through contractual conditions depriving distributors of the chance to choose alternative suppliers.

The Sunday Times also said that a New Zealand financier, Ron Brierley, last week increased his stake in Guinness Peat. It did not disclose the amount of his holding.

Guinness Peat's share price has in recent weeks fluctuated between 110 pence and 112 pence.

A banking analyst, John Tyne of brokers Alexander Leung & Cruickshank, said the shares could rise to about 120 pence.

## EUROBONDS: Prices Fall on U.S. Trade Data, but Dealers' Nervousness Prompts Buying

(Continued from first finance page)

hundreds of a percentage point, over comparable U.S. Treasury notes.

"Given a bit of luck and a following wind, that could be rich enough to move the issue," one new issue trader said. He also pointed out that at \$1 billion—which is equal to the two previous largest offerings in this sector—the deal would certainly be liquid.

Other borrowers waiting to tap the market are said to include such well-regarded names as International Business Machines Corp., Sweden, European Coal and Steel

Commission and General Electric Credit Corp.

It is not only the dollar straight sector where investors are generally cautious. A few weeks ago only the Japanese would have understood the word *zaitoku*. Now this hybrid word for the practice of corporations playing the futures, bond and stock markets has become well-known to be the subject of jokes in the British financial press.

Recently, these financial markets—and subsequently many of their investors—have been incurring large losses. It was Tateho Chemical Industries Ltd. that spot-

lighted the practice by announcing losses of more than 20 billion yen in financial trading, exceeding its own net worth. The news sent shock waves through the yen and equity-warrant sectors of the Euro bond market, as traders anticipated loss announcements from other companies.

The Euroyen market suffered as Japanese domestic bonds fell, but Nomura International Ltd. judged that trading had calmed down enough by Thursday and launched its \$50 billion yen deal for the World Bank—the week's most significant new issue.

The bond pays 5 1/2 percent over five years and was priced at 101. The yen market had not seen a conventional new straight issue for over two months and Nomura said it was pleased with the reception the offering received.

But others felt the market was not ripe for a new issue. They noted that it ended the week outside its total underwriting fees of 1 1/2 percent points by trading at discounts around 1 1/4 or 1 1/2.

Due to its highly geared nature, the Japanese equity-warrant market has always been volatile. Last week it was unusually so, as share

prices dropped in Tokyo. By the end of the week some warrants were nursing losses of well over 20 percent. But this did not stop the new issues from coming.

It was only the equity-warrant sector that prevented last week from being the quietest since the year began.

Many other Japanese firms are known to be eager to arrange cheap financing by issuing equity-warrant bonds. Markets sources say that among them are Canon Inc., with two bonds totaling \$500 million, Bridgestone Tire Co. and Sumitomo Electric Industries.

## U.S. Securities Wizards Seek Way to Turn Latin Debt to Gold

By Leslie Wayne  
New York Times Service

NEW YORK—Wall Street's investment bankers are in a headlong race to find gold in the \$400 billion Latin American bank debt. No less a financial wizard than Michael Milken, who created the junk bond market for Drexel Burnham Lambert, is turning his attention to this challenge.

The notion is that Latin American loans now on the books of commercial banks can be packaged and sold to investors as high-yield, high-risk securities, just as the credits of unrated corporations were turned into junk bonds and household mortgages were transformed into mortgage-backed securities.

The principle is the same, the reasoning goes. And for a Wall Street that is seeing its profits increasingly squeezed, the trading of Latin loans could provide huge commissions.

"When it hits it will be huge," said Richard E. Osofsky Jr., managing director and head of the high-yield bond group at Merrill Lynch.

There is also a big premium for being among the first to devise a workable plan.

"This will be a tens-of-billions-of-dollars business with large fees," said Ronald Gallatin, a managing director at Shearson Lehman Brothers. "You want to be the first, or the second."

But so far the notion has been a long on promise and short on delivery.

Last week, for instance, one of the first real proposals to transform debt into securities that could be traded among investors was quickly abandoned.

The proposal to "securitize" the debt came not from Wall Street, but from Brazil, which offered a radical plan to slash the value of around \$30 billion of its bank debt in half and transform it into tradable securities. Brazil backed away after running into opposition from bankers.

The bankers were not objecting so much to the principle of turning debt into bonds as much as the big losses they would have been forced to swallow. As Wall Street is discovering, it is hard to fashion a plan that is acceptable to all parties.

Richard A. Marin, a managing director of the Latin American division at Bankers Trust, said, "The problems that people had in securitizing mortgages will appear like child's play in comparison to the convolutions someone has to go through to turn Latin debt into a security."

Commercial bankers say it is simplistic to compare troubled countries with troubled companies. In the view of many bankers, it may be too daunting a task to design a

### Latin Debt and Its Price in the Market

Country	Government debt owed to U.S. banks in billions of dollars	Price of debt in the secondary market Current bid prices for \$100 worth of debt
Mexico	\$14.53	\$53
Brazil	14.00	55
Argentina	5.84	47
Venezuela	5.56	67
Chile	3.85	67
Peru	.90	11
Bolivia	.08	10

Source: Federal Reserve System and Salomon Brothers

The New York Times

security backed by credits that are barely understood, unstable politically and whose repayment schedule was far from certain.

Such thoughts, however, barely faze Wall Street technicians, especially Mr. Milken.

Mr. Milken's focus has been Mexico, and he has been meeting with Mexican government officials.

The normally secretive Mr. Milken has made public statements likening the making of markets in Third World debt to the development of junk bonds in the early 1970s.

And, as federal officials continue to investigate possible insider-trading violations in Mr. Milken's junk bond operations, Mr. Milken has taken to speaking out even more on the need to develop a new approach to the world's debt crisis, something that could provide a new stream of revenues should Drexel's junk bond activities be threatened.

"When Milken talks, people listen," said Ken Hoffman, a vice president at Shearson. "There's a lot of debt out there and this could well be the next junk bond business."

Drexel officials in Los Angeles say that Drexel's commitment is a logical extension of its junk bond business. Drexel is developing a twist, which it calls "equitization."

In this procedure, Latin bank debt is purchased and, through a complicated series of financial moves, is traded for an equity investment in a Latin country, say a coal mine or a hydroelectric plant. This equity investment, in turn, is used to create an asset-backed security, which is a bond whose repayments are secured by the income from the coal mine or the hydroelectric project.

This approach is a variation on the securitization approach being explored by many other investment banks. The proposals may vary, but most are based on the same principle, that Latin bank loans will be

repackaged into a security that can be sold in the market.

The return to the investor, then, depends on the country's ability to repay the debt. The packages could represent the debt of one country, or many. The security could be backed by a specific Latin project or by a group of loans.

Most investment houses are reluctant to talk about their attempts to securitize Latin debt. But all say they are committing more people and more money to this area.

At Shearson, for instance, Mr. Gallatin, the inventor of money-market preferred shares, which is a financial instrument giving corporate treasurers low-tax, short-term returns, directs a team of more than 25 people who are trying to design a securitized loan product.

At Merrill, a team of more than a dozen employees is working on inventing a Latin loan security as part of a larger effort toward developing all types of new Third World business.

And Bear, Stearns & Co. has been expanding its corporate finance services to Latin countries and multinational companies.

Mr. Milken has been working on his proposals for nearly three years. But the race was given added urgency by the announcement earlier this year by major commercial bank lenders, led by Citibank, that they were setting up billion-dollar reserves to cover potential losses on their Latin portfolios.

This was taken as a sign that the

banks were willing to unload their loans, which have declined in value as the Latin economies have continued to suffer.

One basic question still to be answered is, who would buy such securities and at what price?

Even investment bankers concede it will be difficult to find buyers, because potential buyers may well ask why, if the banks are trying to get out of this business, investors should get in.

The other major stumbling block is setting the price. If the price of the securitized debt is low enough, buyers would be willing to accept a large risk for a large return.

But commercial bankers say that the fact that reserves have been established does not mean they are willing to walk away from their loans at fire sale prices.

There are also technical problems. There are questions about the willingness of investors to repay debt, and when. The loans to be securitized are of different maturities and different terms, and have different spreads and different conditions, all of which have to be considered when transforming them into a security.

The Latin countries themselves also question whether securitized bank loans would benefit them. So far, they are wary. "Securitization is good for us only if it

contributes to the channeling of new resources, new lending and new investment into our country," said Roberto C. Toso, financial representative in New York of the central bank of Chile.

Enrique Castro, the New York representative of the Mexican Ministry of Finance, said that when loans are turned into bonds, the country loses the flexibility to return to the banks and renegotiate the terms, should the local economy sour.

"What is Mexico or Argentina going to do if you sell the debt and you have difficulties?" Mr. Castro said. "You have no audience. If you buy the bond, where am I to find you?"

When you next consider your capital strategy, consider ours—the universal answer to worldwide investment.

Call Nigel Parker on Jersey, Channel Islands (0534) 27301 for further information and a prospectus, on the basis alone of which applications for Participating Shares can be made or write to him at Gartmore Fund Managers International Limited, 6 Caledonia Place, St Helier, Jersey, Channel Islands.

Undoubtedly, for professional investors, one of the easiest ways of running an international investment portfolio is with Capital Strategy Fund Limited.

With its choice of twenty one sub funds you can gain daily access to the world's major equity, currency and fixed interest markets. Switching between the sub-funds is completely free of dealing charges, U.K. Capital Gains Tax and stamp duty.

And, no matter where you find yourself in the world, you can telephone through your switching instructions on any business day and we'll execute them immediately. Request a portfolio valuation and we'll produce it on demand.

When you next consider your capital strategy, consider ours—the universal answer to worldwide investment.

Call Nigel Parker on Jersey, Channel Islands (0534) 27301 for further information and a prospectus, on the basis alone of which applications for Participating Shares can be made or write to him at Gartmore Fund Managers International Limited, 6 Caledonia Place, St Helier, Jersey, Channel Islands.

Capital Strategy Fund Limited is an open-ended investment company registered in Jersey, Channel Islands. Its Participating Returnable Preference Shares, listed on the stock exchanges of London and Luxembourg, are divided into twenty one separate sub funds according to the type of investments in which constitute the underlying assets of the company.

Capital Strategy Fund Limited is an open-ended investment company registered in Jersey, Channel Islands. Its Participating Returnable Preference Shares, listed on the stock exchanges of London and Luxembourg, are divided into twenty one separate sub funds according to the type of investments in which constitute the underlying assets of the company.

Capital Strategy Fund Limited is an open-ended investment company registered in Jersey, Channel Islands. Its Participating Returnable Preference Shares, listed on the stock exchanges of London and Luxembourg, are divided into twenty one separate sub funds according to the type of investments in which constitute the underlying assets of the company.

Capital Strategy Fund Limited is an open-ended investment company registered in Jersey, Channel Islands. Its Participating Returnable Preference Shares, listed on the stock exchanges of London and Luxembourg, are divided into twenty one separate sub funds according to the type of investments in which constitute the underlying assets of the company.

Capital Strategy Fund Limited is an open-ended investment company registered in Jersey, Channel Islands. Its Participating Returnable Preference Shares, listed on the stock exchanges of London and Luxembourg, are divided into twenty one separate sub funds according to the type of investments in which constitute the underlying assets of the company.

Capital Strategy Fund Limited is an open-ended investment company registered in Jersey, Channel Islands. Its Participating Returnable Preference Shares, listed on the stock exchanges of London and Luxembourg, are divided into twenty one separate sub funds according to the type of investments in which constitute the underlying assets of the company.

Capital Strategy Fund Limited is an open-ended investment company registered in Jersey, Channel Islands. Its Participating Returnable Preference Shares, listed on the stock exchanges of London and Luxembourg, are divided into twenty one separate sub funds according to the type of investments in which constitute the underlying assets of the company.

Capital Strategy Fund Limited is an open-ended investment company registered in Jersey, Channel Islands. Its Participating Returnable Preference Shares, listed on the stock exchanges of London and Luxembourg, are divided into twenty one separate sub funds according to the type of investments in which constitute the underlying assets of the company.

Capital Strategy Fund Limited is an open-ended investment company registered in Jersey, Channel Islands. Its Participating Returnable Preference Shares, listed on the stock exchanges of London and Luxembourg, are divided into twenty one separate sub funds according to the type of investments in which constitute the underlying assets of the company.

Capital Strategy Fund Limited is an open-ended investment company registered in Jersey, Channel Islands. Its Participating Returnable Preference Shares, listed on the stock exchanges of London and Luxembourg, are divided into twenty one separate sub funds according to the type of investments in which constitute the underlying assets of the company.

Capital Strategy Fund Limited is an open-ended investment company registered in Jersey, Channel Islands. Its Participating Returnable Preference Shares, listed on the stock exchanges of London and Luxembourg, are divided into twenty one separate sub funds according to the type of investments in which constitute the underlying assets of the company.

Capital Strategy Fund Limited is an open-ended investment company registered in Jersey, Channel Islands. Its Participating Returnable Preference Shares, listed on the stock exchanges of London and Luxembourg, are divided into twenty one separate sub funds according to the type of investments in which constitute the underlying assets of the company.

Capital Strategy Fund Limited is an open-ended investment company registered in Jersey, Channel Islands. Its Participating Returnable Preference Shares, listed on the stock exchanges of London and Luxembourg, are divided into twenty one separate sub funds according to the type of investments in which constitute the underlying assets of the company.

Capital Strategy Fund Limited is an open-ended investment company registered in Jersey, Channel Islands. Its Participating Returnable Preference Shares, listed on the stock exchanges of London and Luxembourg, are divided into twenty one separate sub funds according to the type of investments in which constitute the underlying assets of the company.

Capital Strategy Fund Limited is an open-ended investment company registered in Jersey, Channel Islands. Its Participating Returnable Preference Shares, listed on the stock exchanges of London and Luxembourg, are divided into twenty one separate sub funds according to the type of investments in which constitute the underlying assets of the company.

Capital Strategy Fund Limited is an open-ended investment company registered in Jersey, Channel Islands. Its Participating Returnable Preference Shares, listed on the stock exchanges of London and Luxembourg, are divided into twenty one separate sub funds according to the type of investments in which constitute the underlying assets of the company.

Capital Strategy Fund Limited is an open-ended investment company registered in Jersey, Channel Islands. Its Participating Returnable Preference Shares, listed on the stock exchanges of London and Luxembourg, are divided into twenty one separate sub funds according to the type of investments in which constitute the underlying assets of the company.

Capital Strategy Fund Limited is an open-ended investment company registered in Jersey, Channel Islands. Its Participating Returnable Preference Shares, listed on the stock exchanges of London and Luxembourg, are divided into twenty one separate sub funds according to the type of investments in which constitute the underlying assets of the company.

Capital Strategy Fund Limited is an open-ended investment company registered in Jersey, Channel Islands. Its Participating Returnable Preference Shares, listed on the stock exchanges of London and Luxembourg, are divided into twenty one separate sub funds according to the type of investments in which constitute the underlying assets of the company.

Capital Strategy Fund Limited is an open-ended investment company registered in Jersey, Channel Islands. Its Participating Returnable Preference Shares, listed on the stock exchanges of London and Luxembourg, are divided into twenty one separate sub funds according to the type of investments in which constitute the underlying assets of the company.



## Hagemeyer nv

Hagemeyer N.V. is an international marketing, sales and distribution company with specific focus on Europe, the Asia/Pacific area and North America.

In its principal function, the group:

- provides competitive marketing, sales and distribution services with a significant added value in specific geographic markets;
- concentrates on branded products in the consumer and professional markets;
- in addition to serving many important names in international industry, the group markets, sells and distributes its own proprietary branded product in a number of countries.

P.O. BOX 5111 1410 AC NAARDEN THE NETHERLANDS

## REPORT FOR THE SIX MONTHS ENDED JUNE 30TH, 1987 HAGEMEYER N.V.

— The consolidated net profit increased with 45% from f 7.7 million in the first half of the previous year to f 11.3 million in the period under review.

— The consolidated net turnover showed a continued growth at f 599.5 million, when compared with f 529.7 million for the same period in the prior year (13.2%).

— Per share of f 20,— the half year net profit was f 2.93, compared with f 2.01 for the first six months in 1986.

You will find additional information in our 1987 halfyear report. We will be pleased to send you this report. Please contact our office (Mrs. E.L. Vermeer tel. 31-2169-57676).







## PORTUGAL: Spending Fuels Boom, Inflation Fears

(Continued from first finance page) 5 percent, and food consumption, up 11 percent. The August unemployment rate was 8.5 percent, down from 10 percent in July.

The upward swing in economic indicators has not eliminated worries about the economy. Some economists, politicians and government officials fear the rapid growth might fuel inflation. And foreign debt remains at \$16 billion, or 60 percent of gross domestic product, the total output of goods and services, minus income from operations abroad.

The government is worried enough to try to restrain consumption by tightening restrictions on credit purchases, and there is also talk that interest rates should be allowed to rise.

One American analyst said that the government had a long list of do's and don'ts to consider before lasting changes are realized.

"The public sector is a real drain on the economy and must be cut, and the government wants to do it by privatizing," he said. "That's easier said than done."

"The international climate is not going to be favorable; oil prices will rise," he said. "The government wants to reform labor laws and revive an agriculture sector that is in very poor shape, but that would lead to unemployment when the prime minister has said he would lower it. There is a real challenge ahead for the government."

Others, including opposition leaders, say that because the economy had been in such bad shape, there was only one way to go—up. They say the improvement is based largely on external factors, such as a large subsidy from the European Community, and ignores structural problems and weak areas such as agriculture.

However, Prime Minister Anibal Cavaco Silva, an economist and supporter of free-market principles, said he was pleased by the

rapid growth and he predicted the good times would continue.

"With controlled progress, we will cut the deficit of payment," he said in an interview. "Inflation is below 10 percent for the first time in 12 years. We want it down to 6 percent next year."

Officials of Mr. Cavaco Silva's Social Democratic Party acknowledge that it has been the beneficiary of an economic turnaround that began two years ago when an as-

terity program sponsored by the International Monetary Fund was lifted. The economy has also been aided by the falling dollar, favorable exchange rates and declining oil prices.

The prime minister acknowledged that consumer spending could fuel inflation. He also expressed concern about "unforeseen external world forces" that could affect Portugal.

Still, his government has forecast that growth will exceed 4 percent this year, while the forecast from the Organization for Economic Co-operation and Development puts the figure at around 3 percent.

Some critics feel the government ignores the possibility that the economic figures could be deceptive. "Things look good, but the structural situation is not so bright," said João Cravinho, a Socialist member of parliament.

"There is very little job creation; there is a big increase in the num-

ber of people hired short-term and fired by employers, and women workers are declining," Mr. Cravinho said.

"A lot of EC money, external money is helping to push the economy along," he said, referring to the EC subsidies. "It's like if you have a car that's going downhill. If there are people outside pushing it, you have the feeling you're going somewhere."

An official at the Bank of Portugal, less optimistic than the bank's own reports, said that the 1983 accord with the IMF was severe but instrumental in turning the economy around.

"That was also the year we got a great infusion of funds from the EC for agricultural and social programs, and there was an immediate change in the mentality of people," the official said.

"For years it was looked upon as a crime to earn a lot of money. Capitalists were seen as bad people. But since 1983, a new wave of private initiative has hit," the official said.

"The stock market has gone mad; many enterprises have opened to the private market; young, ambitious, competitive entrepreneurs who want to be rich now, a new attitude, are doing a lot of things, and our financial system developed quickly, like an earthquake in the past two years."

But, he said, "Public administration is poorly organized, new technologies will be disruptive, our communications need to be improved, roads and harbors to distribute goods are inadequate, we've got to develop new industries."

He added, "Our middle class is growing, but it is different from that in the rest of Europe."

"It doesn't have as much purchasing power, it's not yet as sophisticated and not used to as many material things being available. Consumption is a new phenomenon."

## EC Aide Says U.S. Is Far From Solving Trade Deficit Problem

Sir Roy Denman, the head of the European Community delegation to the United States, is considered to be one of the world's foremost experts on trade. In an interview with *the International Herald Tribune*, he comments on the record monthly trade deficit reported by the U.S. on Friday.

Q: Why is the U.S. trade deficit still setting records after the steep fall in the dollar?

A: The fall in the dollar has helped the trade balance in real as opposed to nominal terms, but not as much or as quickly as expected. Americans appear to have developed a taste for foreign goods and many foreign exporters have shaved their margins to maintain their market share. So the trade deficit in 1987 will probably continue to be substantial.

Q: Is there an end in sight?

A: President Coolidge was once asked whether it would ever stop raining. "Al-ways has," he replied.

Q: What about the deficit in manufac-

tured goods? Are there any encouraging signs?

A: Not many. Too much reliance should not be placed on short-term figures. But so far this year imports of manufactured

## MONDAY Q&amp;A

goods have remained consistently high with an upward trend. Exports, after a strong first quarter, have leveled off.

Q: Is there any sign of hope from the declining Japanese surplus?

A: One should not be too jubilant over short-term figures. Japanese figures for August show a fall in exports to the U.S. of 1.6 percent, compared with a year earlier, while imports increased by 28 percent. U.S. July figures show no change in imports from Japan compared with June. There is no conclusive evidence as yet of a continuing decline in the Japanese surplus.

Q: What should the United States do?

A: There is a general consensus in Washington, as Clayton Yeutter, the U.S. trade representative, and others have often said,

that one major factor — some would say the major factor — is the need to reduce the budget deficit.

Q: Is all this welcome or unwelcome news for the partners of the United States, who want to sell to the American market?

A: Increased exports to the American market are always welcome to the United States' trading partners. But looked at politically, the fact that the turnaround in the U.S. trade balance is taking longer than expected cannot be good news either for the United States or its partners because it encourages protectionist sentiment.

Q: Is it not then in the interest of U.S. trading partners to expand their own economies to attract more American exports?

A: As far as the European Community is concerned, we think we are a pretty open market. In 1986, the 12-member European Community was the biggest trading partner of the United States, taking \$45 billion of U.S. exports, compared with \$45 billion to Canada and \$27 billion to Japan.

Nor do we think that the community is a stumbling block in the growth league. What we



Sir Roy Denman

are aiming at in the community is stable and sustained growth rather than a "quick fix" in terms of artificial stimulation of demand with unhealthy side effects.

## EMS: Ministers Strengthen Policy on Central Bank Support for System's Weaker Currencies

(Continued from Page 1) been limited because no central bank is allowed to hold more than small amounts of another's currency.

This weekend's accord foresees that in the future a central bank with a weak currency will in principle be able to borrow sizeable though limited amounts of a strong currency — such as the West German Deutsche mark — from the central bank that issues it.

The central banker from a weak-currency country would then sell the strong currency to limit its rise against his domestic unit before the exchange rate hits its obligatory EMS intervention point.

The agreement to make such loans is hedged around with condi-

tions to ensure that the Bundesbank, West Germany's central bank, does not suffer any significant loss of control over the amount of marks in circulation. A large increase in sales of marks would increase the domestic money supply and tend to cause higher inflation.

The philosophy behind such preventive intervention, participants said, is that it is cheaper than waiting until speculation against a currency has gathered momentum.

Karl Otto Pöhl, the Bundesbank president, stressed that there would be no obligation for central banks to make such loans to each other.

Yet some officials were optimistic that the Germans would take a

generous view of the accords behind the scenes.

"There's every indication the Germans want to be quite flexible," said one high-ranking EC monetary source.

That could mean, for example, more frequent adjustments of short-term interest rates in West Germany to influence the position of the mark — traditionally the strongest EMS currency — against others in the system. A rate reduction, for instance, would tend to weaken the German currency.

Jacques Delors, president of the EC Commission, said he saw greater coordination of interest rate policies as an important element in maintaining exchange rate stability.

Such flexibility by West Germany, implying at least a minor loss of its traditional dominance over the EMS, is widely seen as the price Bonn is prepared to pay for ensuring that other EC states abolish controls over movements of capital by 1992, as the EC plans.

West Germany has long campaigned for such barriers to be dismantled.

Aside from giving central banks more power against currency speculators, the overall agreement states that central bank governors and monetary experts will monitor more closely key economic indicators in EC countries.

The aim is to narrow differences in economic performances that give

rise to exchange rate divergences in the first place.

During Saturday's discussions, participants noted, France had also called for more far-reaching EMS reforms that would have led to an effective dilution of West Germany's powerful position within the currency loop.

■ No Change by U.K. Britain's chancellor of the Exchequer, Nigel Lawson, said Brit-ain should become a full member of the EMS, but said the issue was still under review.

In reiterating Britain's recent stance on joining the EMS exchange-rate mechanism, he said the improvements to the system agreed on Saturday were welcome.

## Mutual Funds

Figures as of close of trading Friday, Sept. 11

NEW YORK (AP)—The following are the top 10 mutual funds, as ranked by the Investment Company Institute of Securities Dealers, Inc., on the basis of assets under management as of Sept. 11, 1987.

Fund Name	Assets (\$ Bn.)
Fidelity Puritan	22.75
Fidelity Divers	22.54
Fidelity Bond	22.54
Fidelity Equity	22.54
Fidelity Growth	22.54
Fidelity Income	22.54
Fidelity Mid-Cap	22.54
Fidelity Small-Cap	22.54
Fidelity Tech	22.54
Fidelity World	22.54

Fund Name	Assets (\$ Bn.)
Fidelity Divers	22.54
Fidelity Bond	22.54
Fidelity Equity	22.54
Fidelity Growth	22.54
Fidelity Income	22.54
Fidelity Mid-Cap	22.54
Fidelity Small-Cap	22.54
Fidelity Tech	22.54
Fidelity World	22.54

## WORLD STOCKS IN REVIEW / Via Agence France-Press

## Amsterdam

After a week start, the Amsterdam Stock Exchange made a cautious recovery last week.

Investors seemed to have grown accustomed to the low dollar and a slight increase in interest rates. The ANP/CBS general index, which had closed at 309.2 the previous week, closed at 313.5 on Friday.

Kempson & Co., stockbrokers in Amsterdam, said the uptrend in the second half of the week had a very weak basis.

The volume for the week totaled 6.14 billion guilders, up from the previous week's 5.34 billion.

## Frankfurt

The Frankfurt stock market overcame a slow start last week, and the Commerzbank index closed 13 points higher for the week, at 1,974.2.

The dollar's move back above the 1.80 Deutsche mark level for a time and the hope for a narrowing in the U.S. trade deficit in July, helped support the market.

The week's volume was 16.45 billion DM on the eight West German stock exchanges, against 18.62 billion the previous week.

Auto stocks were irregular, with BMW falling 17 to finish at 753 DM. Daimler, which announced on Wednesday it will acquire a holding in Mats, up 29 to 1,100; and VW up 5 to 399.50. In pharmaceuticals, Schering rose 9 to 609 DM, while metals company Mannesmann added 7.50 to close at 174.

## Hong Kong

The Hong Kong Stock Exchange jumped to a new high last week after a long, hard-fought battle, ending a three-day selling spree.

The Hang Seng Index beat its week-old record by 6.02 points, finishing at 3,660.50. Average daily turnover was 2.29 billion Hong Kong dollars.

Profit-taking rocked the market Monday through Wednesday, but after the Hang Seng dipped below the 3,600 barrier, dealers came out in force looking for bargains.

The bull run failed to move blue chips upward. Cathay Pacific closed the week 10 cents down, to 8.20; China Light lost 70 cents, to

## London

Shares and gilts in London were unsettled last week by a strong wave of rights issues in Britain and by fears that U.S. interest rates might have to be lifted again.

Equities, however, made a partial recovery toward the end of the week. Gilts received little support from steady inflation figures and from the pound's strength.

The release on Friday of U.S. trade figures for July, showing another record deficit, dampened sentiment, but Wall Street's robust reaction reassured investors.

The Financial Times industrial share index closed down 18.3 points on the week, at 1,763.8.

Life insurance company Equity & Law was boosted by a takeover bid from France's Compagnie du Midi, although the offer was quickly rejected, as was a previous bid from a New Zealand financier, Ron Brierley.

## Milan

Milan stocks fell back an average 0.71 percent last week to bring total losses since the start of the year to 16.6 percent.

The Comit Index closed at 603.12, after the previous Friday's 607.72, while the Milan Stock Exchange Index lost 6 points, to finish at 834.

Bourse authorities provisionally estimated trading value to have declined by about a fifth over the previous week, and said volume was also sharply down.

Interest focused on Montedison and the conditions it would announce concerning its takeover of the pharmaceutical group Fermenta Carlo Erba. Montedison lost 1.72 percent over the week.

## Paris

The Paris Bourse moved a bit lower last week, particularly because of the rise in U.S. interest rates, but dealers said share prices resisted well.

The CAC index finished the week at 431.9, compared with 435.9 the previous Friday.

Many analysts said that despite the week's small drop, the bourse seemed rather optimistic, as prices

## Singapore

Share prices firmed on a quiet Singapore stock market last week. The Straits Times industrial index recovered 53.03 points to 1,466.11, while the S&P all-share index added 11.02 points to 391.07.

The market opened the week higher on bargain hunting and short covering. Gains were made across a broad front, recovering some of the losses suffered in a recent sharp correction.

Trading volume, however, fell sharply to 17.6 million units as investors monitored a new immediate settlement and delivery system introduced Monday.

## Tokyo

Share prices plummeted on the Tokyo Stock Exchange in lackluster trading last week.

The 225-issue Nikkei Stock Average, which lost 203.93 yen the

## Zurich

The Zurich stock market was irregular last week. The Credit Suisse index finished the week higher at 603.5, against 599.4 the previous week, while the Swiss Bank Corp. index was down to 696.4 from 702.2 the previous Friday.

Analysts said the trend during the next few days would again depend primarily on what happens to the dollar.

Bank shares lost ground, with Union Bank of Switzerland dropping 95 to 4,830. Financial companies were irregular, with Motor Com-tabus up 70 to 1,945, but Elek-trowatt off 25 to 4,125.

The same irregularity was noted in insurance stocks, with Compagnie de Reassurance off 400 to 17,900, and Zurich Insurance Co. up 75 to 7,775, and in industrials, where Saurer added 79 to 430, but Fischer dropped 75 to 1,600.

## Tokyo Pacific Holdings N.Y.

## Tokyo Pacific Holdings (Seaboard) N.Y.

The Quarterly Report as of 30th June 1987 has been published and may be obtained from:

Pearson, Harding & Pearson N.Y.  
Herengracht 214, 1018 BS Amsterdam

National Westminster Bank PLC  
Stock Office Services,  
3rd Floor  
20 Old Broad Street  
London EC2N 1EJ

N.M. Rothschild & Sons Limited  
New Court, St. Paul's Church  
London EC4P 4DU

U.Eurocom of the Banque  
21 Rue La Fayette, Paris 9

Trinkaus & Burkhart  
Königsplatz 21-23  
D 4000, Düsseldorf 1

Sall, Oppenheim & Co.  
Unter Sachsenhausen 4, D 5000, Köln 1

Banque Paribas Belgique S.A.  
Boulevard Emile Jacqz 182,  
B 1000, Bruxelles

Banque Paribas (Lombard) S.A.  
10a Boulevard Royal, Luxembourg

Merrill Lynch International & Co.  
all European Offices

Northcliffe Australia Limited  
Royal Exchange Building  
58 Pitt Street, Sydney N.S.W. 2000

## ESCORTS &amp; GUIDES

## INTERNATIONAL

## ESCORT SERVICE

## USA &amp; WORLDWIDE

Head office in New York  
330 W. 56th St., N.Y.C. 10019 USA  
212-765-7754

MAJOR CREDIT CARDS AND  
CHECKS ACCEPTED  
Private Memberships Available

## LONDON

Portman Escort Agency  
67 Oldham Street,  
London W1  
Tel: 464 2724 or 684 1155  
All major credit cards accepted

## LONDON

KENSINGTON  
ESCORT SERVICE  
10 KENSINGTON CHURCH ST., W8  
Tel: 937 9136 or 937 9132  
All major credit cards accepted

## ARISTOCATS

London Escort Service  
128 Victoria St., London W1  
All major credit cards accepted  
Tel: 437 41, 4742  
12 years' experience

## AMSTERDAM

BERNARDINI Escort Service  
and Family Escort Service, Tel: (020) 29779 or 41-25-2625

## INTERNATIONAL CLASSIFIED

## (Continued from Back Page)

## ESCORTS &amp; GUIDES

## LA VENTURA

NEW YORK ESCORT SERVICE  
Tel: 212-681-1444

## REGENCY NY

WORLDWIDE ESCORT SERVICE  
212-882-8027 or 753-7844

## LONDON

Belgravia  
Escort Service  
Tel: 734 5877

## LONDON

MAYFAIR CLUB  
ESCORT SERVICE from 5pm  
BOTTLEBAR (Tel: 01-462-1155)  
THE HAGUE (Tel: 01-70-40 79 36)

## CAPRICE-NY

ESCORT SERVICE from New York  
Tel: 212-737 3791

## ARISTOCATS

London Escort Service  
128 Victoria St., London W1  
All major credit cards accepted  
Tel: 437 41, 4742  
12 years' experience

## AMSTERDAM

BERNARDINI Escort Service  
and Family Escort Service, Tel: (020) 29779 or 41-25-2625

## ESCORTS &amp; GUIDES

## KATINA ESCORT SERVICE

London 01 555 8611

## STOCKHOLM ESCORT SERVICE

Tel: 761 61 89, 1pm to midnight

## LONDON

ESCAPE French speaking  
escort service, Kensington 720079

## AMSTERDAM

S&P ESCORT and  
Guide Service, Tel: 020/6811

## MUNICH

ESCORT and Guide Service, Tel: 089/77234

## AMSTERDAM

ESCAPE French speaking  
escort service, Tel: 020/6811

## FRANKFURT

ESCORT and Guide Service, Tel: 069/24655

## LONDON

ESCAPE French speaking  
escort service, Tel: 020/6811

## MUNICH

ESCORT and Guide Service, Tel: 089/77234

## AMSTERDAM

ESCAPE French speaking  
escort service, Tel: 020/6811

## FRANKFURT

ESCORT and Guide Service, Tel: 069/24655

## LONDON

ESCAPE French speaking  
escort service, Tel: 020/6811

## MUNICH

ESCORT and Guide Service, Tel: 089/77234







## SPORTS

## Navratilova Routs Graf in U.S. Open Final

By Roy S. Johnson

New York Times Service

NEW YORK — Bit by bit, Steffi Graf's once seemingly impenetrable armor was chipped away. First by an opponent who conceived the proper strategy but couldn't complete it. Then by someone who tested her skills and dented her confidence. Finally, Martina Navratilova, the most dominating women's tennis player of this decade, accomplished what her predecessors against Graf couldn't.

Navratilova, 30, won her fourth U.S. Open singles championship Saturday evening by overwhelming Graf in two convincing sets. Amid blustery weather at the National Tennis Center that threatened to postpone the match, Navratilova dominated the 16-year-old West German, 7-6, 6-1, in 1 hour 17 minutes. The last set took 30 minutes.

The title gave Navratilova, who was seeded second behind Graf, only her second tournament victory in nine tries. But with the Wimbledon and U.S. Open trophies in her possession, she steadfastly

claimed that she had earned the right to be called No. 1 once again. For Graf, the defeat was only her fifth in the 112 matches she has played since April 1986. But four of those defeats have come against Navratilova, who had asserted throughout this tournament that she was not yet ready to relinquish the top ranking, which she held for most of the last six years before losing it to Graf last month.

Graf was defeated because Navratilova succeeded where Pam Shriver and Lori McNeil — the West German's victims in the quarterfinals and semifinals — could not. Navratilova charged the net 61 times and forced Graf into an uncharacteristic 31 unforced errors.

"It was not the best timing I could have had," said Graf. "She played well, but from my point of view I wasn't playing my best."

Short, powerful points were predominant in the match, and they were usually punctuated by one of two shots — a winning volley by Navratilova or a stinging winner from the baseline by Graf.

Like Shriver and McNeil, Navratilova sought to exploit Graf's weakest shot, the backhand, by slicing her approach shots and charging the net. That forced Graf to win through placement rather than power, and created situations where she had to ponder her shot rather than whale away without hesitation.

Against Shriver, Graf benefited from her opponent's well-conceived but ill-executed game plan. Against McNeil, she overcame an inspired effort by her opponent with well-timed winners on the most important points. But against Navratilova, there was no such glory.

Graf's mistakes were compounded by Navratilova's near-perfect evening. And what winning strokes Graf could muster — from a thrashing overhead to numerous whizzing winners past a lunging Navratilova — were countered by Navratilova's proficiency at the net.

"I was not moving as well as I normally do," said Graf, who was battling the debilitating effects of a cold for the third straight day. "She was keeping the ball in play and

coming in. That's the way she plays, and she didn't make many errors."

The match was 47 minutes old when Navratilova closed out the first set with a service winner. She had gained control of the tie breaker when Graf hit a forehand long on the eighth point, giving Navratilova a 5-3 lead. Graf slammed a forehand into the net, then Navratilova converted a service winner to reach set point.

Navratilova then took command of the second set early, breaking Graf in the second game for a 2-0 lead. She then held service, which forced her young opponent to change tactics. Rather than rallying from the baseline, Graf charged the net herself, but to little avail.

"When you're down, 7-6, 3-0, you have to do something," she said. "I was just going for it."

But Navratilova wasn't giving in. In fact, Graf's aggressiveness may have cost her more. Two unforced errors, plus a Navratilova service winner, gave the left-hander a triple break point in the sixth game. She broke twice in the sixth game. She then won the break without even

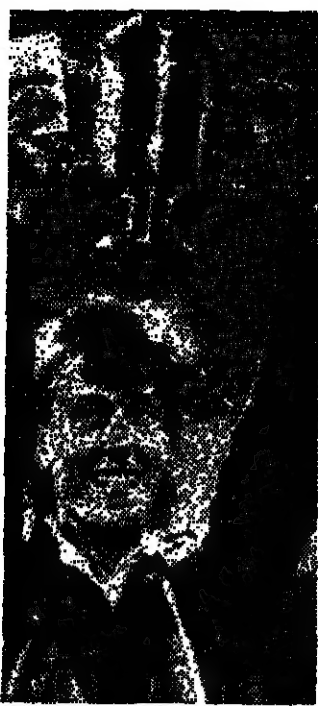
earning it. Graf missed a cross-court try and fell behind, 5-1.

Navratilova needed three match points in the next game as Graf stalled off two with an off-balance forehand winner and a well-placed backhand service return that scooped down the line past a charging Navratilova. But that was the extent of her fortunes. Two points later, Graf hit weakly into the net for the culminating point.

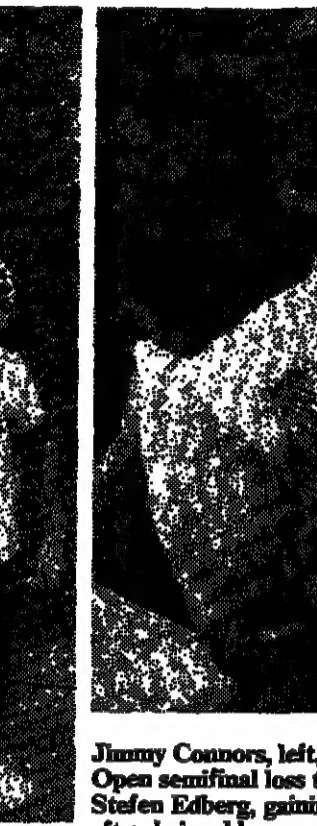
Despite her defeat to Navratilova both here and in the Wimbledon final, Graf didn't appear ready to yield her top ranking. "I'm still No. 1, she's No. 2," she said. "It's that way now."

In fact, Graf remains No. 1 in the computer ranking.

In the semifinals, Graf had to survive a 4-6, 6-2, 6-4 testing as McNeil, playing aggressively, remained even until Graf gained a match-winning service break in the final game. Later, Navratilova cruised, 6-2, 6-2, while ousting Helena Sukova, the sixth-seeded Czechoslovak who was a finalist last year.



Martina Navratilova had a trophy and a smile after her victory over Steffi Graf.



Jimmy Connors, left, had the consolation of his son, Bret, as he departed his U.S. Open semifinal loss to Ivan Lendl. Mats Wilander, above, had better luck against Steffi Graf, gaining the final in four sets. Steffi Graf, right, put on her jacket after being blown out by Martina Navratilova, 7-6, 6-1, in the women's final.



Mats Wilander, above, had better luck against Steffi Graf, gaining the final in four sets. Steffi Graf, right, put on her jacket after being blown out by Martina Navratilova, 7-6, 6-1, in the women's final.

## Hot Wilander, Cool Lendl Gain Men's Final

By John Feinstein

Washington Post Service

NEW YORK — Mats Wilander did two things Saturday for the first time in his tennis career: he reached the final of the U.S. Open and he threw a temper tantrum — but not in that order. Ivan Lendl did two things he does all the time: he beat Jimmy Connors and reached the open final.

Lendl's 6-4, 6-2, 6-2 victory put him into the final for the sixth straight year, and was his 14th straight over his one-time tormentor.

"I'm playing really solid and confident right now," he said. "I know I didn't give him any easy points, I should be able to beat him."

The only thing now standing between Lendl and a third straight open title is Wilander, whose behavior on route to a 6-4, 3-6, 6-3, 6-4 victory over fellow Swede Stefan Edberg was decidedly out of character.

It began Friday evening, when Wilander learned that U.S. Tennis Association officials had moved up the starting time of his match an

hour to 10 A.M., because rain had been predicted for the afternoon.

"I didn't think it was fair," he said. "I don't think you should play a Grand Slam semifinal at 10 in the morning. Stefan played (doubles) yesterday, we both played singles Thursday. The other two guys haven't played since Wednesday. They should have played first."

But CBS says the USTA more than \$12 million a year for the television rights to the tournament. In return, the USTA gives the network almost total control over scheduling. There was no way CBS would accept Wilander-Edberg as the feature match of the afternoon.

"This is an American tournament," said the Grand Prix supervisor, Ken Farrow. "Let's face it, we're selling a product here."

In fact, the USTA did turn down one CBS request: to play the two men's matches simultaneously, with the Swedes on the grandstand court.

Once the match started, it was Edberg who couldn't answer the early wakeup call. After leading,

40-6, in the first game, his skill disappeared. By the time it returned, he was down, 4-0.

"I just wasn't in the match at the beginning," said Edberg, who played almost four hours Friday while winning the doubles title with Anders Jarryd. "He came out playing really well and it took me a while to even get into the match. Then I started playing well. But he played very well. I don't feel that disappointed about losing because I just lost to a guy who was better today."

Wilander, after running through the first set, practically gave Edberg the second, serving his worst game of the match at 3-4. The key game was an 11-11 tiebreaker in the third set. Wilander broke Edberg in that second game on the 10th break point when Edberg missed on a wild forehand that had been his alibi for all match.

Wilander, who didn't double fault, served out the set, then broke to lead, 2-1, in the fourth when Edberg served his fifth, and last, double fault. Wilander got to 4-2

after saving four break points in a 10-deuce game.

Edberg got the break back to 4-4, coming in on Wilander's second serve and finding his forehand to blast a winner down the line on break point. It looked like a new match, a five-setter. But Wilander broke right back, ripping a backhand cross court, then watching Edberg punch a forehand volley deep.

Connors had the crowd believing in miracles until Lendl broke to lead, 4-3, in the first set. Connors hung in a while longer, saving two set points at 3-5, then putting Lendl in a 0-40 hole in the next game. But Lendl hit three winners, a forehand, a serve and a forehand, saved one more break point by passing Connors with a backhand, then served out the set. It was routine after that.

Lendl finished it with one last blistering forehand down the line. Connors was beaten, but not bowed. He left, waving an appreciative index finger to the crowd, his arm around his 8-year-old son, Brett.

## Mitchell's 3 RBI Lead Giants to 6-1 Victory Over Reds

The Associated Press

CINCINNATI — Kevin Mitchell drove in three runs with a home run and a double Sunday afternoon, sparking the San Francisco Giants to a 6-1 victory over the Cincinnati Reds.

The Giants, who won two of the three games in the series, took a six-game lead over the Reds in the National League West. The teams each have 19 games remaining, including two games next weekend in San Francisco.

San Francisco's lead is the largest in the major leagues. The Giants are the only team in the division over .500.

Mike LaCoss, Craig Lefferts and Don Robinson stopped the Reds on six hits.

LaCoss (12-10) beat Cincinnati for the third time in four starts this season. He allowed four hits over 5½ innings before yielding to Lefferts, who retired the two batters he faced. Robinson pitched the last three innings for his 17th save.

Cincinnati scored its run in the third. Terry McGriff singled, advanced on a balk and Tom Browning's sacrifice, and scored on Barry Larkin's sacrifice fly.

The Giants scored two runs in the fourth off Browning (7-12). Mitchell led off with his 20th homer. Mike Aldrete and Candy Maldonado followed with doubles to put the Giants ahead to stay.

Harry Spillman's pinch-hit single in the seventh off reliever Frank Williams gave the Giants a 3-1 cushion, and Mitchell capped the rally with a two-run double. Williams had shut out his former Giants teammates in nine previous appearances this year totaling 6½ innings.

San Francisco added a run in the eighth on Will Clark's RBI single.

Dodgers 6, Braves 2: In Atlanta, Mike Marshall homered, drove in two runs and scored three times while going four for four, as Los Angeles defeated the Braves. Orel Hershey (15-13) gave up six hits in seven innings for the Dodgers.

Cubs 5, Expos 2: In Chicago,

Leon Durham had three hits and two RBIs, and Rick Sutcliffe won his first game in more than six weeks as the Cubs downed Montreal. Sutcliffe (11-6-3) hadn't won a game since July 28, when he also beat Montreal. Now 3-0 over the Expos this season, Sutcliffe gave up five hits, walked two and struck out seven in his third complete game and first since July 22.

Pirates 6, Phillies 1: In Philadelphia, Brian Fisher pitched a five-hitter and struck out a career-high 10 as Pittsburgh defeated the Phillies for their seventh straight victory. The Pirates have won 15 of their last 18 games. The Phillies have lost five in a row. Fisher (9-9) walked two in hurrying his fifth complete game of the season.

Tigers 5, Brewers 1: In the American League, Milwaukee's Chet Lemon singled home the winning run to spark a four-run ninth as Detroit moved back into a first-place tie with Toronto by defeating the Brewers. The victory snapped Detroit's three-game losing streak and Milwaukee's five-game winning streak. The Tigers and Blue Jays each have a record of 85-57 in the American League East.

Twins 7, Indians 3: In Cleveland, Kirby Puckett's one-out, run-scoring single snapped a 10th-inning tie and Gary Gaetti added a two-run double to give Minnesota the victory over Cleveland. Greg Gagne hit a ground-rule double into the Indians' bullpen down the third-base line before Puckett lined his single off Tom Candiotti (7-16).

Yankees 8, Blue Jays 5: In Toronto, Gary Ward, Dave Winfield and Rickey Henderson hit solo home runs as New York rallied from a three-run, first-inning deficit to defeat the Blue Jays. Bartles Hudson (10-6), replaced starter Steve Trout in the first and pitched 4½ innings, allowing two hits and one run. Neil Allen pitched 3½ innings, allowing one hit, and Dave Righetti got the final two outs for his 27th save.

## Steelers Defeat 49ers on Return of Fumble Recovery

The Associated Press

## NFL FOOTBALL

PITTSBURGH — Rookie cornerback Deion Hall put Pittsburgh in the lead Sunday with a 50-yard fumble recovery return and Mark Malone overcame a 9-of-33 passing performance to throw a 2-yard touchdown pass as the Steelers stunned the San Francisco 49ers for a 30-17 National Football League victory.

The Steelers, coming off their first preseason win without a victory in the lead Sunday with a 50-yard fumble recovery return and Mark Malone overcame a 9-of-33 passing performance to throw a 2-yard touchdown pass as the Steelers stunned the San Francisco 49ers for a 30-17 National Football League victory.

The Steelers, coming off their first preseason win without a victory in the lead Sunday with a 50-yard fumble recovery return and Mark Malone overcame a 9-of-33 passing performance to throw a 2-yard touchdown pass as the Steelers stunned the San Francisco 49ers for a 30-17 National Football League victory.

Palmer returned a kick 95 yards late in the fourth quarter to give the Chiefs the victory over San Diego. Palmer, the Chiefs' first-round draft choice, broke free behind a block by Paul Coffman and won a foot race down the right sideline with 3:19 left in the game.

Bucs 48, Falcons 10: In Tampa, Florida, Steve Deberg passed for 333 yards and a team-record five touchdowns as the Bucs trounced Atlanta in the Buccaneers' debut under Coach Ray Perkins. Deberg, who threw seven interceptions in the Bucs' season opener a year ago, completed 24 of 34 passes as Tampa Bay also set club records for points scored and largest margin of victory in the franchise's 12-year history.

The Tampa Bay offense, which ranked last among the NFL's 28 teams in 1986, was virtually unstoppable in the first half with Deberg directing scoring drives of 91, 76 and 80 yards before Rick Woods returned an interception 42 yards to set up a fourth Bucs touchdown.

Redskins 34, Eagles 24: In Washington, Doug Williams came off the bench to throw for 272 yards and two touchdowns to lead the Redskins to victory over Philadelphia. Playing in place of the injured Jay Schroeder, Williams threw a 39-yard touchdown pass to Art Monk on the first play of the fourth quarter to snap a 24-24 tie. Later, Williams' 46-yard pass to Gary Clark set up a 40-yard field goal by Steve Cox with 5:20 left.

Oilers 20, Rams 16: In Houston, quarterback Warren Moon threw four-quarter touchdown passes of 3 yards to Jamie Williams and 59 yards to Ernest Givins, rallying the Oilers past Los Angeles. Moon hit Givins with a short pass over the middle, and the second-year wide receiver cut back to his left and sprinted into the end zone with 2:59 left in the game, giving Houston its first lead.

Saints 28, Browns 21: In New Orleans, Bobby Hebert threw two touchdown passes to Hoby Baker and Bruce Clark, and Brett Maxie both registered fourth-quarter sacks on Bernie Kosar in the end zone for safeties as the Saints defeated Cleveland. It was the first time in the 21-year history of the team that the Saints had registered two sacks in a game and only the fourth time that the team won its opening game.

Cardinals 24, Cowboys 13: In St. Louis, Missouri, quarterback Neil Lomax hit Roy Green with two touchdown passes in the closing minutes and Earl Ferrell ran 14 yards for a third score, lifting the Cardinals past Dallas. Lomax's scoring strikes to Green covered 16 and 22 yards in a span of 65 seconds, the second touchdown with only 53 seconds remaining. Ferrell burst up the middle with 19 seconds left to cap St. Louis's comeback after the Cardinals recovered a Darryl White fumble.

Jets 31, Bills 28: In Orchard Park, New York, Ken O'Brien threw two touchdowns passes and Johnny Hector ran for two scores as the Jets edged Buffalo. A redrafted Jets offensive line, after allowing three Buffalo sacks in the first half, gave O'Brien ample time to pass, and the Jets quarterback responded with a 55-yard scoring bomb to Wesley Walker and a 4-yard scoring pass to Mickey Shuler.

Bengals 23, Colts 21: In Indianapolis, Boomer Esiason threw two touchdown passes in the first quarter and Jim Breach kicked a 20-yard field goal after a fight-marred fourth-quarter drive, helping Cincinnati to victory over the Colts. Robert Jackson preserved the Bengals' victory over an interception, his second of the game, with 1:03 remaining.

Vikings 34, Lions 19: In Minneapolis, Wade Wilson, whose three interceptions put Minnesota at a 16-3 first-half hole, threw a 73-yard touchdown pass to Anthony Carter to spark a 21-point third-quarter surge as the Vikings rallied for a victory over Detroit. Carter was an even bigger culprit than Wilson on two of the interceptions, as perfect passes from Wilson went right through his hands and into the arms of Detroit defenders.

Patriots 28, Dolphins 21: In Foxboro, Massachusetts, New England scored twice within 50 seconds on Tony Collins' 7-yard run and Ronnie Lipsett's 20-yard interception return to take a third-quarter lead and went on to defeat Miami.

Don Marino, who missed most of the preseason with a dislocated finger, threw three touchdown passes that gave the Dolphins a 21-14 halftime lead. He went out with an apparent eye injury with 2:22 left in the game and Dan Streub led the Dolphins to the Patriots' three-point win with five seconds left, but his pass into the end zone to Mark Dupuy was incomplete. A heavy rain fell throughout the game, causing numerous missed snaps and passes that slipped in and out of receivers' hands.

Chiefs 20, Chargers 13: In Kansas City, Missouri, Rookie Paul

## SPORTS BRIEFS

**Soviets Win Canada Cup Opener in Overtime, After Freak Goal Ties Score**

MONTREAL (AP) — Aleksandr Semak's 30-foot shot at 5:33 of overtime gave the Soviet Union a 6-5 victory over Team Canada in the opening game of the best-of-three Canada Cup final.

The goal, which Semak rifled in from the head of goalie Grant Fuhr, brought a jarring end to Friday night's game, in which Team Canada made one of its most spectacular comebacks against the Soviets, erasing a 4-1 deficit.

The Canadians went ahead, 5-4, on Wayne Gretzky's goal at 17:01 of the third period, but the Soviet Union tied 32 seconds later on a goal credited to Andrei Khomutov, although the puck, on a pass from behind the Team Canada net, glanced off Gretzky's skate and into the goal.

The second game of the final was to be played Sunday night.

**Way Wins European Open; Randolph Leads in U.S.**

WALTON HEATH, England (Combined Dispatches) — Paul Way of England, who hadn't had a victory in two years, shot five-under-par 67 Sunday to win the European Open golf tournament.

It was the first time this season that he had broken 70, and it gave him a four-round total of 279, two strokes fewer than Gordon Brand Jr. of Scotland and John Bland of South Africa. Bernhard Langer of West Germany, the leader after three rounds, shot 75 and finished in a tie for 10th. Greg Norman of Australia led for sixth, at 284, by shooting 72, while another pre-tournament favorite, Severiano Ballesteros of Spain, shot 70 and finished well back.

In Boston, Massachusetts, Sam Randolph, the 1985 U.S. Amateur champ seeking his first PGA victory, swept past Lee Trevino and Curtis Strange to claim Sunday's round in the Bank of Boston Classic, then was declared the winner when Sunday's round was rained out. Randolph, who had trailed Trevino by one shot and Strange by two, carded seven-under 64 for a 199 total, a shot off the course mark. Trevino, who shot 67 for Friday's lead, had 72; Strange, first round co-leader, 70. (AP, AP)

**Campbell, Otter Win Grand Prix Track Titles**

BRUSSELS (NYT) — One-hundredth of a second made up for two months of anguish for Tony Campbell, whose victory Friday night over Greg Foster and six others in the 110-meter hurdles race of the Mobil Grand Prix finals gave him the overall circuit championship and the \$35,000 that goes with it. Foster finished second overall, winning \$23,000, followed by Sergei Bubka, the pole-vaulter from the Soviet Union, who won \$20,000.

Mechelen Otter of Jamaica won at 100 meters to finish first among women competing in the 16-event, 15-nation circuit, whose points are won in individual events and for overall performance. Otter (\$35,000) was followed by high jumper Stefka Kostadinova of Bulgaria (\$23,000) and miler Sandra Gasser of Switzerland (\$20,000).

**For the Record**

Sean Kelly of Ireland fell off his bike, cutting his face in several places, but finished 10th Saturday in the Tour of Catalonia and retained the overall leader's yellow jersey, as he did Sunday.

Jeanette Lange of France set a cycling world record of 3:42.22 for 3,000 meters Saturday in a time trial.

Colorado Springs. Her previous world mark was 3:49.51.

Blanche Manning Perry, 48, wife of former major league pitcher Gaylord Perry, was killed Friday when another car ran a stop sign in Lake Wales, Florida, and hit her as she was driving to a hospital to see a newborn grandchild. (AP)

One-car driver Roberto Guerrero remained unconscious Sunday, but was receiving less medication to control brain swelling stemming from his accident four days ago at the Indianapolis Motor Speedway.

The San Diego Yacht Club announced that it intended to stage the America's Cup in 1991; a legal dispute involving New Zealand could negate that plan later this month.

## 4 Home Runs By 'Jays Send Yanks Reeling

Compiled by Our Staff From Dispatches

TORONTO — Ernie Whitte hit two home runs and drove in six runs Sunday, when the Toronto Blue Jays hit three consecutive homers in the eighth inning to defeat the New York Yankees, 13-1.

The victory put the Blue Jays a game ahead of the Detroit Tigers in

## SATURDAY BASEBALL

the American League East Division. The loss, the Yankees' fourth in a row, dropped them seven games out of first with 21 games to play.

Jimmy Key held the Yankees to six hits in his eight innings, walking one and striking out one.

"To me, the worst is to make the playoffs," said Key, who lowered his league-leading earned run average to 2.85. "I'm not going to let personal things like statistics get in the way."

In the last 20 games, he has surrendered more than three earned runs only once, and has won seven decisions in a row.

Rance Mulliniks' bases-empty homer in the second inning, off Rick Rhoden, put the Blue Jays ahead, 2-0, and Whitte followed George Bell's triple in the fourth with his 13th home this season.

In the eighth, Whitte hit a three-run homer off Bill Fultner. Then Jesse Barfield homered and Kelly Gruber homered. The next batter, Willie Upshaw, nearly made it four straight, doubling off the right field wall against Pete Fiolino.

"We snuck the place out," said the Yankees' manager, Lou Piniella. "Nothing was there today," said Rhoden, who lasted four innings



and gave up four runs on seven hits. "No velocity, no pop."

"It was good for us to break out like that," Whitte said of the Jays' 19 hits off four Yankee pitchers.

The only run off Key came in the seventh, when Dave Winfield walked and Gary Ward doubled him home. Duane Ward pitched the ninth and struck out the side.

Red Sox 4, Orioles 3: In Boston, Wade Boggs singled with two out in the bottom of the ninth to beat Baltimore. The victory was the Red Sox's ninth straight over the Orioles.

Indians 5, Twins 4: In Cleveland, Cory Snyder's sacrifice fly scored pinch runner Junior Noboa with one out in the bottom of the ninth and beat Minnesota.

Royals 10, Athletics 7: In Oakland, California, Steve Balboni won two for four with three runs batted in for Kansas City. In the first three games of the four-game series between the AL West contenders, Balboni has gone four for eight with two homers and eight RBIs.

Brewers 11, Tigers 2: In Milwaukee, B.J. Surhoff and Rob Deer

## Mets Are First Down, And Then About Out

Darryl Strawberry, right, got a "low five" from Keith Hernandez after homering in the first inning of the series-opener against the Cardinals. But the Mets lost in the 10th inning, then were routed Saturday. Saturday night they learned that pitcher Ron Darling had torn ligaments in his hand and will be out the rest of the season. The only good news: third baseman Howard Johnson became the first National League infielder to hit 30 home runs and steal 30 bases in a season.

the home 10th to beat Los Angeles.

Pirates 12, Phillies 4: In Philadelphia, Bobby Bonilla hit a three-run, first-inning homer and scored four times to help Pittsburgh win its sixth straight.

(AP, UPI)

U. S. O P E N  
T E N N I S  
OFFICIAL TIMER  
SEIKO



## LANGUAGE

## Who Is This 'We,' Anyway?

By Roy Blount Jr.

NEW YORK — The most vexed, loaded and crucial word of the United States Constitution is a two-letter word that I used too blithely, once, in argument with a friend of mine.

"Who is this 'we'?" he responded. "You got a mouse in your pocket?"

What I meant by that particular we, presumably, was "I and also you, if I can slip this by you." The we of "We the People" — a phrase that offended Patrick Henry, started many Constitutional Convention delegates, and helped inspire the French Revolution — is a somewhat more complicated proposition.

Webster's Third defines this we as an illustration of the following definition: "I and the rest of a group that includes me and you and I and another and others: I and another or others not including you."

Confusing enough, but not for Ambrose Bierce, who wrote in "The Devil's Dictionary" that the plural of I "is said to be we, but how there can be more than one myself is doubtless clearer to the grammarians than it is to the author of this incomparable dictionary."

The Articles of Confederation, which the Constitution superseded, began: "To all to whom these Presents shall come, we the undersigned Delegates of the States affixed to our Names send greeting." A cheerier but far less subjective and audacious representation than "We the People of the United States" ... do ordain and establish ...

Patrick Henry, who refused to take part in the Convention, was not the only patriot who saw tyranny lurking in that Preamble. A constitution with such a beginning "will effect a consolidation of the states under one government, which even the advocates of this Constitution admit, could not be done without the sacrifice of all liberty," declared dissenting members of the Pennsylvania delegation. That attitude persists today in the Reagan administration's allegiance to states' rights and corporations' prerogatives.

We could dispute the meaning of our primordial we endlessly, and in fact we do, increasingly in terms that would have confounded every mother's son among the Founding Fathers. "We the People" of 1787 was not literally racist: Some 50,000 black freemen were included, as were, constructively, Indians who were willing to be taxed. Or sexist: Nowhere in the Constitution was it written that only men could vote. But since the slaves (referred to as "other persons"), and generally shunted aside Indians (said a presumptuous term), and took for granted that women were not entitled to all the rights of citizenship, it certainly was discriminatory by assumption and in effect. And so is "We the People" of 1987, many of us we-sayers would say, thereby making many others of us feel insulted.

In the last presidential campaign the Democrats tried to proclaim their own we, which I personally found far less offensive than the Reagan we. But most of us voters disagreed with me.

OUR Constitution is the first written national constitution in the world. Who can be called its authors? "We the People" (but not of the United States) has been ascribed (but not with certainty) to James Wilson of Pennsylvania — which would make him America's most quoted writer, at least this year.

James Madison's Virginia Plan pretty much set the Convention's agenda, but apparently more of the Constitution's language was lifted from principles set down by Charles Pinckney of South Carolina. What survives of the Pinckney Plan has been pieced together by historians, who have variously accused Pinckney of forging one version of it and Madison of suppressing significant mention of it.

We know that the Constitution's first working draft, which led off with "We the People," was produced by a five-man Committee of Detail, on which Wilson was prominent. After the Convention as a whole debated that draft for five weeks line by line, an entirely different five-man Committee of Style put the tentative consensus into literary form. Even Madison, who was a member of the Committee of Style, acknowledged Gouverneur Morris of Pennsylvania, a rakish, outspokenly irreligious lawyer, as the principal stylist. The Constitution "was written by the fingers that write this letter," Morris later wrote. It was Morris who decided — partly for tactical reasons — to follow "We the People" with "the United States" instead of listing all the states individually as the Committee of Detail had done. (All five members of the Committee of Style were staunch Federalists. Morris, incidentally, spelled *federal*.)

Solid, straightforward, unegalitarian as the Constitution generally is, it could have used a Committee of One Last Polish. Setting aside the glaring imperfections of the pre-Constitution Union, how can anyone form "a more perfect Union"? Webster's Third cites the Preamble's usage of *perfect* as an illustration of this definition: "corresponding to an archetype; having all the proper characteristics: IDEAL." But strictly speaking, a thing can only be ideal or not ideal.

"A more nearly perfect Union?" Not hardly enough. "A more viable Union?" Yuck. "A stronger Union?" That would have rattled the states-rights' cage. "A Union with teeth?" "A Union that will fly?"

LET'S let the Preamble stand. It is certainly better written than the Bill of Rights, which was composed by Congress two years after the Convention ended. The Second Amendment has grave comma problems, and the First Amendment would get past a good newspaper's copy desk, which might touch up its paragraph as follows:

"Congress shall make no law establishing any religion or prohibiting the free exercise thereof, or abridging freedom of speech or of the right to assemble peaceably or to petition the Government for redress of grievances."

I'll take the First Amendment the way it is, though, thank you. In fact I will take this occasion to quote it: "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the government for a redress of grievances."

It's our First Amendment, and we honor every semicolon.

Roy Blount Jr.'s next book, to be published in November, is "Seigniors-Webster's Ark," a double book of verse. He says this column for The New York Times.

## An Oncle d'Amérique Goes Home

International Herald Tribune

PARIS — The French need an American in Paris they can consider their own: someone who typifies to the hilt the sprawling, invasive and alluring land across the seas. Eddie Constantine, the film tough, exemplified the two-faced American in the 1950s just as Art Buchwald

## MARY BLUME

later became the innocent abroad. Since 1968 France's favorite American has been Pierre Salinger, bilingual journalist and, as press spokesman for John F. Kennedy, a radiant remnant of Camelot.

"I never considered the Kennedy administration Camelot," Salinger says. "That myth developed as a result of his death. Working for him was for me a very realistic political operation and he was a very realistic political person." In 1963 Kennedy told Salinger he would be named ambassador to France after the 1964 election. This was not to be, but when a shattered Salinger moved to France after the murder of Robert Kennedy, he found all doors open.

"When I arrived here the Kennedy card was absolutely incredible because people wanted to know someone who had been close to Kennedy. So that really inserted me rapidly into French society, something an American coming here might get into after 25 years but certainly not after one."

"More than that, I became a sort of media figure here, constantly called to appear on French television to talk about American subjects or the Kennedy family."

Last week, at the Deauville festival of American film, it was Salinger who was summoned by a television announcer to explain the significance of the event, and a week later at the festival's end Salinger was named Personality of the Year. His jowly grin and Cuban stooge are more familiar in France than in the United States: He is the French public's favorite *Oncle d'Amérique*.

All this became patently clear on Sept. 3 when Agence France-Presse confirmed that Salinger



Pierre Salinger at his Paris desk.

Doherty, SPA

was leaving the ABC television bureau where he had worked since 1977, to go to New York where he will be the chief of ABC's foreign correspondents and adviser on foreign affairs. His departure from Paris is set for Oct. 15 and the mail from the French public has been amazing.

Salinger was expecting an afternoon visit from a journalist from Tours who wanted his impressions on leaving France. Before that, he would go to a French publisher, Stock, who is publishing a book by Robert Woodward of Watergate fame. "His new book on the CIA is coming out the end of October and they don't know much about Robert Woodward. They asked me to tell them who Robert Woodward is and what sort of work he does."

Squeezed in between would be a visit from a French historian who wanted to discuss the journey of the "Mona Lisa" to Washington organized by Jacqueline Kennedy in 1962. Someone who is writing a book on arms dealers would also be dropping in to consult some documents Salinger has.

Salinger still wears a PT-109 tie clip but on his wall hang photographs of himself with Margaret Thatcher and Nancy Reagan ("with love and best wishes"). He says he has become more conservative on foreign affairs, if not on social issues.

While continuing to believe in the press's right to know, he does not believe in an automatic right to print: Endless waiting and protecting his sources during the Iran hostage crisis of 1979-1981 allowed him to have a world scoop with a three-hour program on the secret negotiations only two days after the hostages were freed.

He doesn't think the French and Americans understand each other any better now than in 1968. The notion of Europe is equally vague. "Americans think there is a Europe," Salinger said. "Most high European officials understand that the Europe they really want doesn't exist yet. There is no political Europe, no military Europe. The commercial Europe is quite fragile. At no point in the last 20 years have the European leaders been able to come together in a decisive agreement on a policy of a single subject with the exception of the Falklands war, which is in itself ironic because they were all supporting Great Britain and here were British ships being sunk by missiles the French had sold to Argentina."

Salinger says it is always a battle to get American television interested in foreign news. "We have a basic non-interest in political events," he says of the French networks. He has chosen to be based in New York rather than Washington because he thinks he will have greater access to the people who run the news operation.

He finds French television better than most Americans do but thinks that with privatization there are plenty of problems ahead. "I'm not sure France can afford six channels of television, all of advertising," he said. "I don't think the advertising base here supports six stations. I wouldn't be surprised if in the next year or year and a half we didn't see one of them drop out."

As cutbacks affect the major

## INTERNATIONAL CLASSIFIED

## MOVING

## ALLIED

## WORLDWIDE MOVING

## PARIS:

(1) 43 43 23

DISCORDS

NICE:

COMPAGNIE GENERALE

22 21 37 72

L.M.S.

(09) 230044

AMERICAN

LONDON:

(01) 953 3644

ALLIED VAN LINES

USA:

(0101) 312-481-8100

MARTINI TECHNICOPIERS - NICE /

CANNES: Tel. 93.32.43.44. Overseas

Moving - Storage - Packing - Air/Sea

Shippers, Car/Vanage, Clearance.

## EMPLOYMENT

## GENERAL POSITIONS

## AVAILABLE

TECHNICAL TRANSLATIONS, Trans-

lation company, market leader in

tech translations, urgently requires

English mother, long-term transla-

tion engineer or degree level

for permanent position in Paris and

Lyon. Call TEACOR 46 64 92 35 Paris

or TEACOR 46 64 92 35 Paris

## GENERAL POSITIONS

## WANTED

TRADE/OVERSEAS: SELLER/BUY-

er company, market leader in

tech translations, urgently requires

English mother, long-term transla-

tion engineer or degree level

for permanent position in Paris and

Lyon. Call TEACOR 46 64 92 35 Paris

or TEACOR 46 64 92 35 Paris

## NEED A BILINGUAL SECRETARY?

Call OR Inter, Paris 42 61 82 11.

SPANISH-ENGLISH, bilingual top

secretary - English - 1-990-008.

## EMPLOYMENT

## EDUCATIONAL

## POSITIONS AVAILABLE

SIBER AMERICAN teacher of dramatic

arts to grade 10 for children /

adults. Theoretical experience a must.

Also video &amp; music. Working

in the P.E.T. system. 11 rue Jacob,

75006 PARIS. Tel. 46 33 35 08.

## DOMESTIC

## POSITIONS AVAILABLE

AU PAIR FRISCO CALIFORNIA must

be 19 years old, comfortable

house, January 1988. Please see year.

P.O. Box 1000, Prospect Heights, IL

60070. Tel. 312-431-1100.

## COURSE LOOKING FOR

qualified person with references for 1 year

old, in Paris 7th, full board, contract

4, 6, 12, 18, 24, 36, 48, 60, 72, 84, 96,

108, 120, 132, 144, 156, 168, 180,

192, 204, 216, 228, 240, 252, 264,

276, 288, 300, 312, 324, 336, 348,

360, 372, 384, 396, 408, 420, 432,

444, 456, 468, 480, 492, 504, 516,

528, 540, 552, 564, 576, 588, 600,

612, 624, 636, 648, 660, 672, 684,

696, 708, 720, 732, 744, 756, 768,

780, 792, 804, 816, 828, 840, 852,

864, 876, 888, 900, 912, 924, 936,

948, 960, 972, 984, 996, 1008, 1020,

1032, 1044, 1056, 1068, 1080, 1092,

1104, 1116, 1128, 1140, 1152, 1164,

1176, 1188, 1200, 1212, 1224, 1236,

1248, 1260, 1272, 1284, 1296, 1308,

1320, 1332, 1344, 1356, 1368, 1380,

1392, 1404, 1416, 1428, 1440, 1452,

1464, 1476, 1488, 1500, 1512, 1524,

1536, 1548, 1560, 1572, 1584, 1596,

1608, 1620, 1632, 1644, 1656, 1668,

1680, 1692, 1704, 1716, 1728, 1740,

1752, 1764, 1776, 1788, 1800, 1812,

1824, 1836, 1848, 1860, 1872, 1884,

1896, 1908, 1920, 1932, 1944, 1956,

1968, 1980, 1992, 2004, 2016, 2028,

2040, 2052, 2064, 2076, 2088, 2100,

2112, 2124, 2136, 2148, 2160, 2172,

2184, 2196, 2208, 2220, 2232, 2244,

2256, 2268, 2280, 2292, 2304, 2316,

2328, 2340, 2352, 2364, 2376, 2388,

2400, 2412, 2424, 2436, 2448, 2460,

2472, 2484, 2496, 2508, 2520, 2532,

2544, 2556, 2568, 2580, 2592, 2604,

2616, 2628, 2640, 2652, 2664, 2676,

2688, 2700, 2712, 2724, 2736, 2748,

2760, 2772, 2784, 2796, 2808, 2820,

2832, 2844, 2856, 2868, 2880, 2892,

2904, 2916, 2928, 2940, 2952, 2964,

2976, 2988, 3000, 3012, 3024, 3036,

3048, 3060, 3072, 3084, 3096, 3108,

3120, 3132, 3144, 3156, 3168, 3180,

3192, 3204, 3216, 3228, 3240, 3252,

3264, 3276, 3288, 3300, 3312, 3324,

3336, 3348, 3360, 3372, 3384, 3396,

3408, 3420, 3432, 3444, 3456, 3468,

3480, 3492, 3504, 3516, 3528, 3540,

3552, 3564, 3576, 3588, 3600, 3612,

3624, 3636, 3648, 3660, 3672, 3684,

3696, 3708, 3720, 3732, 3744, 3756,

3768, 3780, 3792, 3804, 3816, 3828,

3840, 3852, 3864, 3876, 3888, 3900,

3912, 3924, 3936, 3948, 3960, 3972,

3984, 3996, 4008, 4020, 4032, 4044,

4056, 4068, 4080, 4092, 4104, 4116,

4128, 4140, 4152, 4164, 4176, 4188,

4200, 4212, 4224, 4236, 4248, 4260,

4272, 4284, 4296, 4308, 4320, 4332,

4344, 4356, 4368, 4380, 4392, 4404,

4416, 4428, 4440, 4452, 4464, 4476,

4488, 4500, 4512, 4524, 4536, 4548,

4560, 4572, 4584, 4596, 4608, 4620,

4632, 4644, 4656, 4668, 4680, 4692,

4704, 4716, 4728, 4740, 4752, 4764,

4776, 4788, 4800, 4812, 4824, 4836,

4848, 4860, 4872, 4884, 4896, 4908,

4920, 4932, 4944, 4956, 4968, 4980,

4992, 5004, 5016, 5028, 5040, 5052,

5064, 5076, 5088, 5100, 5112, 5124,

5136, 5148, 5160, 5172, 5184, 5196,

5208, 5220, 5232, 5244, 5256, 5268,

5280, 5292, 5304, 5316, 5328, 5340,

5352, 5364, 5376, 5388, 5400, 5412,

5424, 5436, 5448, 5460, 5472, 5484,

5496, 5508, 5520, 5532, 5544, 5556,

5568, 5580, 5592, 5604, 5616, 5628,

5640, 5652, 5664, 5676, 5688, 5700,

5712, 5724, 5736, 5748, 5760, 5772,

5784, 5796, 5808, 5820, 5832, 5844,

5856, 5868, 5880, 5892, 5904, 5916,

5928, 5940, 5952, 5964, 5976, 5988,

6000, 6012, 6024, 6036, 6048, 6060,

6072, 6084, 6096, 6108, 6120, 6132,

6144, 6156, 6168, 6180, 6192, 6204,

6216, 6228, 6240, 6252, 6264, 6276,

6288, 6300, 6312, 6324, 6336, 6348,

6360, 6372, 6384, 6396, 6408, 6420,

6432, 6444, 6456, 6468, 6480, 6492,

6504, 6516, 6528, 6540, 6552, 6564,

6576, 6588, 6600, 6612, 6624, 6636,

6